FINANCIAL TIMES

Europe's Business Newspaper TUESDAY JANUARY 4 1994 D8523A

Aeroflot break-up attacked as 120 die in air crash

Russian pilots' union head Alfred Malinovski called for "an end to the mess" in the domestic airline industry after all 120 people on board a Tupolev Tu 154 airliner died when it caught fire and crashed shortly after taking off for Moscow from Irkutsk in Siberia. Although no cause for the engine fire which led to the crash has been established, Mr Malinovski said that since the break-up of Aeroflot into 160 local carriers, safety checks had been weakened and pilots had little control over the overloading of aircraft. Page 12

Hussein warns Arafat: King Hussein of Jordan said PLO chairman Yassir Arafat had one "last chance" to sign an agreement on Jordan's economic role during transitional Palestinian autonomy in the occupied territories before Jordan held talks with Israel. Page 3

Saudi pledge eases pressure on riyal: Saudi Arabia's promise to cut government spending by 20 per cent in 1994 has eased pressure on the riyal and prompted a 1.5 percentage point fall in interbank rates. Page 12

Japan shelves Boeing venture: Japan is to suspend its joint airliner development project with US aerospace group Boeing because of the pressure on costs imposed by the weakness of demand from airlines. Page 12

All-Share classification revised

Today's stock market trading will be the first to be reported under the revised FT-SE Actuaries classification of industry sectors. The traditional All-Share categories have been given their first thorough overhaul in two decades. From tomorrow the new arrangement will also apply to the FT's share price listings. Guide to the system, Page 22; Details, Pages 28 and 29

Six killed in Sarajevo: Six people were killed and about 20 wounded, including four children, as shells pounded Serb-besieged Sarajevo. Belgrade stock market struggles against odds, Page 2

Airline freezes pay: Italian state airline Alitalia froze the wages of its flying crew pending agreement with unions intended to move the loss-making group back into profit.

Tokyo businesses seek reforms: Japanese business organisations called for financial reforms to ensure the economy's long-term health, while a survey of executives found that most expect an economic recovery by early next year. Page 4

US drug sales approved: Drugs with potential annual sales of hundreds of millions of dollars were approved for sale in the US by the country's Food and Drug Administration. Success in the US market is essential to the fortunes of a new drug. Page 4

Investors keen on US retailing takeover: Shares in Federated Department Stores of the US and bonds in R.H. Macy rose as Wall Street reacted to news that Federated wants to take over rival stores group Macy's through a bankruptcy court manoeuvre involving the purchase of Macy's debt. Page 13

CCF plans capital increase: French banking group Crédit Commercial de France unveiled plans for a FFr1.3bn to FFr1.5bn ($220m to $250m) capital increase. Page 13

Sweden delays bridge decision: Sweden put off a decision on whether to approve construction of a 17km bridge between Sweden and Denmark after continued wrangling over the project within the four-party coalition government. Page 2

Toys "R" Us, US children's retailing chain, said sales in the crucial Christmas shopping period were slightly better than expected. Page 15

Apple plans online service: Apple Computer, the personal computer manufacturer, plans to develop a global online service called eWorld that will be a key element in its strategy to increase profits after a troubled year. About 70 companies, including news agencies and publishers, have agreed to offer content to eWorld. Page 15

Floods hit southern France: Rivers in southern France burst their banks as floods that have forced hundreds of people from their homes spread from the north of the country.

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Ford	62¾	-	1¾
AG Ind & Verk	590	+	17	Sears	51⅛	-	1
Bilf & Berger	969	+	27	Toys R Us	39⅝	-	1⅛
Linde	958	+	10	**PARIS (FFr)**			
Preussag	450	+	17	**Rises**			
Wella Pfd	850	+	15	Bancaire Cie	595	+	10
Falls				Cred National	712	+	12
Veba	528	-	22	EBF	795	+	25
NEW YORK ($)				Euro RSCG	604	+	24
Rises				SLIC	900	+	29
Boeing	44	+	⅞	**Falls**			
Du Pont	49⅞	+	1	Union Immob	670	-	18
IBM	57⅝	+	⅞				

London and Tokyo closed. New York prices at 12:30

■ STOCK MARKET INDICES

Tokyo Nikkei ....closed
New York: lunchtime
Dow Jones Ind Ave ....3,752.69 (-1.40)
S&P Composite ....465.41 (-1.04)

■ US LUNCHTIME RATES

Federal Funds: 3⅛%
3-mo Treas Bills: Yld 3.084%
Long Bond 98⅜
Yield 6.391%

■ Gold

New York Comex:
(Feb) $394.7

■ STERLING

New York lunchtime:
$ 1.4765

■ DOLLAR

New York lunchtime:
DM 1.74415
FFr 5.9325
SFr 1.4916
Y 112.475

Tokyo closed
London markets closed

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1,250	Hong Kong	HK$16	Malta	Lm0.00	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira60	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta725
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£4.50	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	Fmk14	Jordan	JD1.50	Philippines	Pso50	Syria	S£S1.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl32,000	Tunisia	Din1.500
Germany	DM3.30	Lebanon	US$1.50	Portugal	Es325	Turkey	L10000
						UAE	Dh12.00

Markets across world surge ahead to hit record levels

By Michael Morgan in London and Louise Lucas in Hong Kong

Stock markets in Europe and south-east Asia have begun the new year in the same record-setting style with which they saw out 1993.

Bourses in Frankfurt, Paris, Zurich, Amsterdam, Madrid, Brussels and Stockholm rose to record highs. London returns today after the new year break.

The surge in European stock markets stretched from the fledgling markets of Athens and Istanbul, in the south, to Vienna and Warsaw in central Europe.

Hong Kong led the Asian advance with a 1.7 per cent rise, while new peaks were set in Singapore, Kuala Lumpur, Seoul, Manila and Jakarta. Bombay and Karachi completed the record-breaking run in Asia.

The recent sustained rise in Asian and European markets has been underpinned by outflows of money from the US, where many investors believe equity markets have less potential for growth than those abroad.

In contrast to the surge elsewhere, Wall Street was subdued yesterday. The market there largely ignored a positive report from the National Association of Purchasing Management and instead took its lead from a weak bond market. At noon, the Dow Jones industrial average was 5.31 lower at 3,748.78.

A surge in US demand for German stocks helped Frankfurt's DAX index up 1.30 to 2,267.98 after an early, 30-point fall, in a show of confidence that many traders believe the market still has further potential to rise.

Some investors were also building their hopes that Thursday's meeting of the Bundesbank Council will cut interest rates. However, many analysts believe that the authorities are unlikely to act this week, with some German financial centres closed on Thursday for the Epiphany holiday.

Paris picked up after a quiet start, the CAC-40 index adding 22.34 to 2,290.56, while Amsterdam was led higher by technical considerations in otherwise quiet conditions. The new AEX index made its debut yesterday, having replaced the EOE index, and closed at 420.37, up from a rating of 414.27 last Thursday.

Mr Frederick Hasslauer, an analyst at Bank Sal Oppenheim in Zurich, confirmed that European markets were being spurred higher by inflows of US money. He said: "US fund managers . . . are buying in the European markets, because it is the current trend."

With the Tokyo market closed, Hong Kong remained the main Asian focus for buying by foreign investors. US institutions continued to fuel the market's rise, which saw turnover of more than HK$9.2bn (£805m) during the session, compared with HK$7.4bn last Friday.

The Hang Seng index, which rose by 115 per cent in 1993, added 198.10 to close at 12,086.49. Many traditionally superstitious Chinese investors had seen the Hang Seng's final tally for last of 11,888.39, as a good omen: the Cantonese equivalent of "three eights" is taken as a portent of growth and prosperity.

A break through the 12,000 level in the Hang Seng had been seen as inevitable after the market's recent sure but many analysts had not expected the barrier to be breached until the run-up to the Lunar New Year, which this year runs from February 10-13.

Yet even at the market's current levels, many investors are reluctant to take profits, setting their sights instead on a further rise in the Hang Seng to the 14,000 level.

Market reports, Page 19

Reich sees 2m new jobs as US economy grows

By Michael Prowse in Washington

US companies will create 2m jobs this year, Mr Robert Reich, labour secretary, predicted yesterday as another batch of statistics confirmed that the economy ended last year on a strong note.

Spurred by increases in new orders, the purchasing managers' index – a closely watched barometer of the health of manufacturing industry – rose from 55.7 per cent in November to 57.9 per cent last month, the highest level for nearly a year. Readings of above 50 indicate the manufacturing sector is expanding.

Separately, the Commerce Department said that construction spending rose 1.8 per cent between October and November, a larger increase than most analysts had expected.

Construction spending was up nearly 11 per cent in cash terms from the same period in 1992, having risen for seven consecutive months.

Mr Reich said that most of the jobs created this year would be in service industries, with the bulk in managerial and professional services. There would also be lower-paid openings in restaurant and hotel services.

A net increase of 2m jobs would represent an increase in employment of a little less than 2 per cent, roughly in line with job creation last year, which was also concentrated in services.

Mr Reich said that although jobs would be in "abundant supply", growing disparities in skill levels would prevent many workers taking advantage of new opportunities. Encouraging job training would be a priority for the administration this year.

Mr Robert Bretz, a spokesman for purchasing managers, said the gain in the purchasing index reflected a strong rise in new orders. The index for new orders rose to 66.7 per cent against 64.8 per cent in November, one of the highest readings in 10 years.

However, he warned that continued rapid expansion in manufacturing was not assured. It would be "challenging to sustain current growth rates, let alone exceed them". Yesterday's figures followed other robust data indicating economic growth accelerated in the fourth quarter to an annual rate of 4-5 per cent.

However, many economists expect growth to moderate to a more sustainable 3 per cent this year because consumer spending has outstripped personal incomes.

Mr George Eads, chief economist at General Motors, yesterday warned the Federal Reserve not to "overreact" to signs of faster growth by raising interest rates.

Yeltsin pledges tough foreign policy to please right wing

By Leyla Boulton in Moscow

President Boris Yeltsin of Russia will adopt a more assertive foreign policy following the defeat of radical reformers in last month's parliamentary elections, Mr Yeltsin's spokesman said yesterday.

The president's priorities for 1994, set out by Mr Vyacheslav Kostikov, underline Mr Yeltsin's intention to try to accommodate the hardline nationalism of the majority in the new parliament. The tough foreign policy line will be combined with continuing market reforms.

Mr Kostikov told Itar-Tass news agency: "Undisputed emphasis in foreign policy will be given to protection of Russia's national interests and the rights of Russians and Russian-speaking people . . . on the basis of pan-national solidarity."

The far right and nationalists have campaigned for the protection of ethnic Russians living abroad. About 20m Russians live outside Russia in other former Soviet republics. Some have been deprived of the vote and of the right to sell their housing, or have felt threatened in their jobs.

Mr Kostikov added that the Russian leader, armed with sweeping new powers to override parliament if necessary, was prepared to co-operate with deputies "who are interested in the protection of Russia's interests and the promotion of reforms".

But he warned that such co-operation with the new parliament would depend on its respect for the new constitution and its ability to "draw lessons from previous experience" – an unmistakeable reference to the old parliament, shelled out of existence on October 4 after a protracted power struggle with Mr Yeltsin.

On economic policy, Mr Kostikov said: "Securing financial stabilisation, lowering inflation, strengthening the rouble and support for healthy production forces will be among the priorities of economic policy next year."

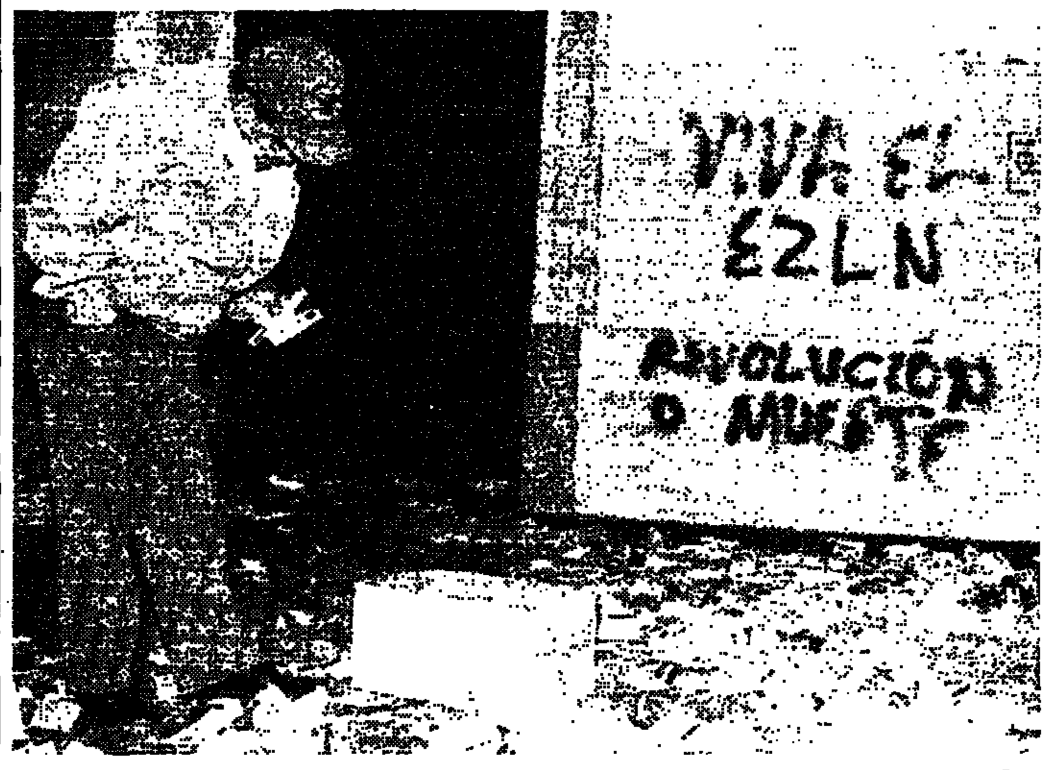
But Mr Sergei Vasiliev, a radical economist who heads the government centre for monitoring economic reform, yesterday sounded a note of alarm over prospects for further progress. He said that the electoral success of Mr Vladimir Zhirinovsky, the neofascist, would frighten away investors, including Russian ones, and promote further capital flight.

"In the next two years no large scale foreign investment will come to Russia," he told the Russian Information Agency, referring to the uncertainty which is likely to prevail until new parliamentary and presidential elections due in 1996.

Mr Vasiliev also expressed doubt, given the pressure from a parliament dominated by nationalists and communists, that Russia would achieve a standby agreement with the International Monetary Fund. Russia's Choice, the radical reform alliance, drew up plans for such an agreement

Continued on Page 12

Mexican forces pursue rebels



Reuter

Documents and debris are strewn outside a local government building in San Cristobal de las Casas after the town was abandoned by armed rebels and reclaimed by Mexican federal forces Report, Page 3

US bank 'accepts intervention was necessary'

J.P.Morgan differed with authorities over Banesto

By John Gapper in London and Peter Bruce in Madrid

J.P. Morgan, the US bank that advised Banco Espanol de Credito (Banesto) before the Bank of Spain ousted its management last week, thought that Banesto was in a better financial condition than the Spanish government has claimed, according to an unpublished official document.

The document prepared by the central Bank to justify its sudden intervention, shows that J.P. Morgan believed that Banesto's assets had been over-valued by at most Pta372bn ($2.61bn). This is Pta131bn less than the Bank's estimate of a Pta503bn over-valuation, disclosed last week.

The Bank last Tuesday imposed a new management at Banesto, Spain's fourth-largest bank with assets of Pta7,000bn. The intervention is not thought to have been expected by Morgan, despite the fact that it had been sharing information with the Bank about Banesto.

Morgan executives are believed to accept that the Bank's action was justified when Banesto's share price fell sharply and a run on deposits began. However they had thought until then that Banesto could absorb a gradual Pta372bn downward revaluation of its assets if it raised extra capital to compensate.

Morgan, which had invested $175m of its own and other investors' capital in Banesto through its Corsair investment fund, wrote to Mr Luis Angel Rojo, governor of the Bank of Spain, hours before the intervention to express confidence in Mr Mario Conde, Banesto's president.

The over-valuation of assets was discovered by Bank of Spain inspectors in an audit which ran until September. Morgan thought Banesto could raise capital to cope through measures including a bond issue and the sale of half its controlling stake in Banco Totta y Acores of Portugal.

The document shows that the Bank believed Banesto's loans were over-valued by Pta 223bn following rapid growth in loans 1988 and 1991. It also estimated that there was a Pta66bn pension fund shortfall, and a Pta81bn over-valuation of La Corporacion, its industrial holding company.

The other over-valuations listed by the Bank of Spain in the document were Pta72bn relating to an equity portfolio, Pta25bn for Banesto's 50 per cent holding in Oasis International Group, listed in Banesto's accounts as a hotel company, and Pta36bn over-valuation of capitalised costs.

Banesto and J.P. Morgan gave lower estimates for each category. They were: Pta166bn for loans, Pta52bn for La Corporacion, Pta 55bn for the pension fund shortfall, Pta61bn for the equity portfolio, Pta23bn for capitalised costs and Pta15bn for Oasis International Group.

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Reduction follows government pressure for lower costs

French banks cut base rates

By John Ridding in Paris

France's leading commercial banks yesterday announced they would trim their base lending rates by 0.2 percentage points, from 8.15 per cent to 7.95 per cent. The cuts will take effect tomorrow.

The reductions reflect a steady decline in money market rates and follow a series of cuts in official borrowing costs. The Bank of France has lowered the intervention rate, the floor for money market interest rates, six times since last July's European currency crisis. The latest cut, at the beginning of December, reduced the intervention rate to 6.2 per cent.

Yesterday's announcements of base rate cuts, which include Banque Nationale de Paris, Société Générale, Crédit Lyonnais and most of the other principal high street banks, follows pressure from the government. Mr Edmond Alphandéry, the economy minister, has called for commercial banks to pass on more quickly the reduction in official borrowing costs.

Economists in Paris said that banks' base rates should continue to fall as money market rates and official borrowing costs were reduced further. They said that lower base rates, which provide a reference for most consumer credit and loans to small and medium-sized industry, would help to revive France's stagnant economy.

Market interest rates have fallen over the past few months, particularly at the long end of the bond market. Ten-year government bonds, for example, are currently yielding about 5.6 per cent, compared with about 6 per cent at the end of November.

Sweden delays bridge decision

By Hilary Barnes in Copenhagen

Sweden yesterday put off a decision on whether to approve construction of a 17km bridge between Sweden and Denmark after continued wrangling over the project within the four-party coalition government.

The decision threatens the cohesion of the government, headed by Moderate (Conservative) party leader Carl Bildt, nine months before a general election, due on September 18.

"We are quite simply not ready," Mr Bildt said yesterday after a two-hour cabinet meeting to discuss the bridge, which would be the first permanent link between Sweden and continental western Europe. Hundreds of demonstrators opposed to the bridge protested outside the meeting.

"A decision can probably not be expected before Thursday of next week," Mr Bildt added.

The bridge is opposed on environmental grounds by the coalition Centre party, led by Mr Olof Johansson, minister for the environment. He is under pressure from sections of his party to pull out of the coalition if the government decides the bridge should be built. If this happened the government would have to resign, although Mr Bildt could be asked to form a new coalition.

Sweden and Denmark have signed a treaty which commits the two states to build the road-and-rail bridge by the year 2000 at a cost of about SKr12bn ($1.45bn). It will cross the Oresund (the narrow strait separating Denmark and Sweden) between the Danish capital of Copenhagen and the southern Swedish city of Malmö.

The Centre party has made it a condition for approving construction that the flow of water through the Oresund is not reduced.

Treuhand chief outlines aims

By Judy Dempsey in Berlin

The Treuhand agency charged with privatising east German business has secured contracts committing DM184bn ($106.9bn) in investment and guaranteeing 1.6m jobs, the agency said yesterday. It has sold 11,700 enterprises.

However, in the course of fulfilling these contracts the jobs figure could fall to 921,000 permanent posts, while investments could be reduced to DM100bn, according to Mrs Birgit Breuel, the agency's president.

Depending on the contract, an investor can gradually reduce the workforce, ending up with a final, permanent, figure agreed with the Treuhand. Mrs Breuel said implementation would be monitored by a management holding company, or VRA, in which private investors would be able to hold stakes of at least 25 per cent.

In assessing the agency's targets for the next 12 months, Mrs Breuel told a news conference she was convinced the Treuhand had set up "the framework for the economy in eastern Germany". She said its main task this year would be privatising the remaining 266 enterprises, which employ about 100,000 people, or 2 per cent of eastern Germany's labour force.

Seventy-three of these enterprises have already been hived off to five management groups, whose western German managers will restructure them before sale. The agency will try to restructure and sell by the end of the year the remaining 193 enterprises.

However, Mrs Breuel could not confirm the level of subsidies required to prepare the enterprises for privatisation and keep the workforces employed. But she confirmed that by the end of 1994 the Treuhand would have spent DM275bn and earned DM68bn from sales.

Paris to probe schools' safety

By David Buchan in Paris

The French government will shortly launch an inquiry into physical safety in the country's state schools, in an attempt to defuse allegations that it is favouring private over public education.

The conservative government sparked a row with President François Mitterrand and other Socialist politicians when, in the pre-Christmas legislative rush, it scrapped an 1850 law which limited local authorities to funding only 10 per cent of the construction and repair of private schools, which in France are mainly Catholic.

Some 70,000 people, many of them teachers, protested against the action on December 17, and a similar national protest is planned for January 16. Socialist deputies have asked the constitutional court to rule on the move, complaining that it will drain money from state education.

Through the inquiry, which is expected to recommend that more money be spent on state schools' infrastructure, the government hoped to show "it is not robbing the public sector for the benefit of private education", an official of Prime Minister Edouard Balladur said yesterday.

But a Socialist spokesman said there was ample evidence already on the state of safety in public schools, and any inquiry should be directed at how a government commission managed to conclude last month that half the country's private schools were physically dangerous.

Belgrade stock market struggles against odds

By Laura Silber in Belgrade

Amid the Serbian nightmare of hyperinflation, sanctions and war, Mr Branislav Cosic struggles to keep open the Belgrade stock exchange.

No stocks have changed hands for more than a year, explains Mr Cosic, the exchange's director. In fact, there are only two companies listed on the exchange because war scuppered the country's privatisation plans.

Instead, between 400 and 500 companies each day try to beat rising prices by trading commercial paper denominated in dinars, the national currency. But Mr Cosic fears that with inflation at 1m per cent last month, they face an impossible task.

"By the middle of January we will have to stop operations. There will be no more point in trading in dinars," he says.

The economic chaos, brought on by nearly three years of war and 21 months of United Nations sanctions, has forced the stock market to adapt to such an extent, jokes Mr Cosic, that "we are planning to sell our know-how to the west".

The stock market has been tailored to cope with the inflation rate of 25 per cent an hour; trading, for example, takes place on Saturdays. "People invest in securities to protect their money from inflation, even for a couple of days," says Mr Branislav Jorgic who, with Mr Cosic, was one of the founders of the exchange, which opened in 1989.

Annual turnover last year amounted to DM110m ($63.9m), down from DM175m in 1992, while the number of transactions soared to 9,000, from 1,600. However, daily turnover is falling, hovering below DM20,000 in December.

Some companies use their dinars to buy hard currency at the black market rate, selling it later at the higher official rate.

A fraction of the population of Serbia and Montenegro, which comprise the rump Yugoslavia, has grown rich from war profiteering and by violating sanctions, which include an oil embargo.

Last year Mr Jorgic opened his own brokerage firm, switching sides to join about a dozen traders at the banks of computers and telephones in the gleaming offices of the exchange, or Berza. "You can earn more money here than in western countries. But you are facing great risks," he says.

In addition to "wrong government policies", Mr Cosic blames UN sanctions for the market's woes as they mean ties are severed with international financial organisations. Mr Cosic and his team hope the government will swiftly implement a stabilisation programme.

But Mr Jorgic puts it bluntly. "If the war continues, I cannot see any future for the stock exchange. But if it stops, and the UN lifts sanctions, then the exchange and my company have a chance... otherwise I'll change jobs and start trading in petrol or other goods."

Mr Haris Silajdzic, the Bosnian prime minister, is due to meet Mr Mate Granic, the Croatian foreign minister, in Vienna today in an effort to restart talks on the partition of Bosnia, writes Laura Silber.

The two men will discuss territorial disputes and humanitarian issues. Their meeting follows threats by Croatian President Franjo Tudjman and other senior officials to intervene unless the mainly Moslem Bosnian army halts an offensive in central Bosnia.

With peace talks stalled, the Bosnian army launched an offensive against Croat forces to gain control over most of the central part of the republic.

All-party talks are set to resume in Geneva later this month after the unsuccessful attempt to broker a pre-Christmas agreement.

Bosnian Serb soldiers load grenades near the Moslem-controlled town of Gorazde *Reuter*

Letter to Bank of Spain governor

The following is the text of a letter, dated December 27 1993, from Mr Roberto G. Mendoza, vice-chairman of J P Morgan, to Mr Luis Angel Rojo, governor of the Bank of Spain.

Dear Mr Governor,

In connection with discussions I understand that you have had with D Mario Conde, chairman of Banco Espanol de Credito, I am writing to confirm that:

1. J P Morgan has assisted Banesto in developing a plan to deal with certain accounting and asset quality issues; fully supports both the spirit and particulars of the plan; and believes that it can be implemented successfully;

2. Subject to market conditions, J P Morgan intends to lead manage the underwriting of a $400m convertible subordinated debt issue for Banesto during the second quarter of 1994 and believes that, following the announcement of Banesto's plan and related charges, the issue should be successful;

3. J P Morgan believes that, if necessary, Banesto could sell half of its stake (or approximately 25 per cent of the outstanding shares) in Banco Totta y Açores during the first or second quarter of 1994 and J P Morgan would be pleased, subject to market conditions, to lead manage the underwriting of the sale of such stake; and

4. J P Morgan supports Banesto's current management and believes that Banesto's prospects for future profitability are strong.

J P Morgan has assisted Banesto in developing a written presentation of its plan, and this... has been reviewed by the senior management of J P Morgan in our role as financial adviser to Banesto. I would welcome the opportunity to provide you with a copy of that presentation and to discuss with you in person why J P Morgan believes Banesto's proposed plan is feasible and in the best interests of Banesto, its shareholders and the Spanish banking system.

Poles see role for Russia in expanded Nato

By Ariane Genillard in Bonn and Judy Dempsey in Berlin

Mr Andrzej Olechowski, Poland's foreign minister, wants Nato to set up a mechanism which would eventually enable east European countries to obtain full membership of the defence grouping.

But he warned that Russia should not be isolated from the process. There could be no European security "without the inclusion of a functioning democratic Russia", he said.

"A democratic and strong Russia would be the strongest guarantee of peace and stability in Europe."

Mr Olechowski's remarks came during an official visit to Bonn, and were detailed in an article in the liberal Frankfurter Rundschau daily newspaper.

He said the "partnership for peace," the US-sponsored plan which envisages more co-operation with the countries of eastern Europe, did not go far enough in providing them with eventual guarantees of security. "We understand that we cannot become Nato members overnight," he said. "But we expect that the partnership for peace is constructive in such a way that countries which went through a certain process would eventually attain to full membership." The plan, he said, fell short of such expectations.

Mr Klaus Kinkel, Germany's foreign minister, said Bonn would act as Poland's "defence lawyer" during next week's Nato summit.

"Because of our geographical situation following reunification... we have a particular responsibility and we bear this. We have a particular understanding of the countries of eastern Europe in terms of security needs," he said.

But Mr Kinkel, in contrast to the federal Defence Ministry which favours faster integration into Nato of east European countries, said "a balanced and cautious procedure" on the issue of membership was needed.

Australian contracts for Alcatel

Alcatel, the French telecommunications group, yesterday announced it had won contracts in Australia to modernise the country's telephone switching network and to provide two new international exchanges, writes John Ridding in Paris.

The contracts for the switching systems comprise equipment for more than 5m of the 8.5m lines involved in Australia's telephone modernisation project. The value of the contract is about A$1bn (US$680m). The contract for the two exchanges, worth about A$30m, was concluded with Telstra, the international arm of Telecom Australia.

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Alan Cane assesses the impact of Thomas Watson Jr who died on New Year's Eve

The man who keyed IBM into computers

By his own account, the course of Thomas Watson Jr's life changed irrevocably in the spring of 1945.

He had invited General Follett Bradley, whose aide-de-camp he had been during the second world war, to dinner. The two men were close friends and Bradley asked the 31-year-old Watson what he intended to do in peace-time.

A natural and enthusiastic flyer, Watson replied that he had a job lined up as a pilot with United Air Lines. Bradley, puzzled, replied: "Really? I always thought you'd go back and run the IBM company."

It was a reply that surprised nobody but, it seems, Watson himself. The eldest son of Thomas J. Watson, the self-willed, self-educated, hard-driving businessman who created International Business Machines in his own inflexible image, everybody around him knew he was destined from birth to run one of the world's most significant business empires.

As a gawky 13-year-old, he was photographed with his father on their way to an IBM sales convention, both wearing the staid and sombre garb that Watson Sr encouraged his armies of salespeople to adopt. When himself a junior salesman, aged 26, he filled his entire year's quota on the first day of the year thanks to a single order from US Steel Products.

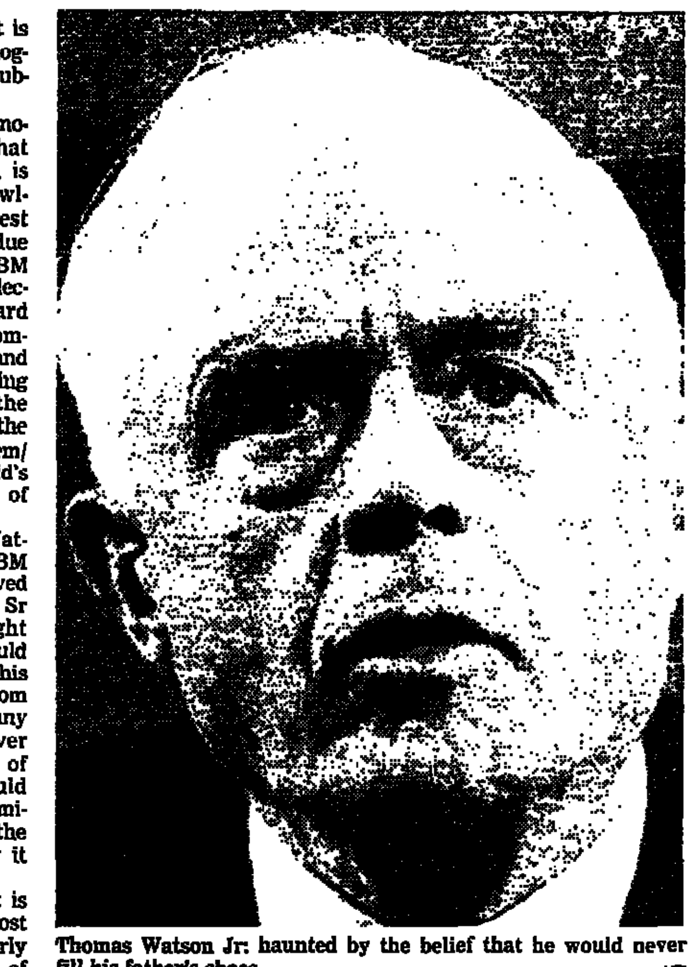
But Watson Jr knew his progress at IBM was a consequence of his father's position rather than his own ability and his early years with the company were marred by anger, humiliation and frustration. Throughout his life he was haunted by the belief that he would never fill his father's shoes, nor match the old tyrant's expectations of him. The story of his battle for independence and self-fulfilment is movingly told in his autobiography "Father, Son & Co" published in 1990.

Tom Watson's lasting memorial, however, and one that owes nothing to his father, is that IBM is today acknowledged as the world's largest *computer* company; it was due to his foresight that IBM moved in the 1950s from electromechanical punched-card tabulators to electronic computers. It was his courage and resilience which held the ring while IBM was fighting the hugely expensive battle in the 1960s to establish the System/360, later to become the world's most successful family of mainframe computers.

Those who knew the Watsons well believe that IBM would inevitably have moved into computers – Watson Sr could not bear the thought that any other company could build machines better than his own – but that without Tom Jr's perseverance, the company would have had to recover ground lost to the likes of Remington Rand and would never have been able to dominate the market through the 1970s and 1980s in the way it did.

With hindsight, indeed, it is likely IBM would not have lost its way so badly in the early 1990s if it had had a leader of equivalent vision and courage prepared to cut ties with the past and invest in the future to exploit fully the personal computer revolution.

Tom Watson was born in 1914 when his father was already 39. He was followed by two sisters, Jane and Helen, and a brother, Arthur, known for most of his life as Dick. Watson Sr planned for his two sons to inherit his empire and Dick was eventually given control of IBM World Trade, IBM's operations outside North America. He died in 1974 aged 55 after a fall when recuperating from a heart attack.



Thomas Watson Jr: haunted by the belief that he would never fill his father's shoes UPI

Tom Jr's youth and early manhood were spent in hedonistic attempts to escape the inevitable. Tall and handsome, he was a poor student but a good sportsman with a special aptitude for yachting and skiing. Shortly after arriving at Brown University in Rhode Island he learned to fly. Some might see psychological significance in Tom Jr's enduring love of aircraft and his skill as a pilot. His father had a pathological fear of flying. It was an area that was Tom's alone.

Money was no object. He recalled: "I had plenty of money for fooling around. My monthly allowance was $300 – about double the income of the average American family in those years." While still a college junior in 1935, he bought his first aircraft, a Fairchild 234. His father was, at the time, at the the head of the list of highest paid Americans.

Inevitably, any assessments of Tom Jr's achievements have to be seen against this background of extreme advantage. He had nothing in common with the ordinary businessman progressing through a company. Every step was preordained and overseen by his father.

Tom Sr wanted to see his children do well so he could bask in the reflected glory; at the same time, he had no intention of allowing them to take away any of his own prestige. When, in 1955, Tom Jr appeared on the front cover of Time magazine – something his father had never achieved – to mark the gathering pace of the computer revolution, he felt forced to write an apologetic note to soften the blow. "It was a sincere but clumsy attempt to reassure him, though I doubt it made him feel any less upstaged. He didn't talk to me about the article at all. He never said 'Great going' and I never brought it up," Tom wrote later.

He became a military pilot despite having been turned down for the Air Corps because of defective eyesight. Here the Watson stubbornness made itself felt. Tom bought an eye examination machine and practised until he had trained himself to pass the test.

He was called up in autumn 1940, eventually seeing service in Europe and flying hundreds of hours across Russia and China. He returned to IBM in 1946 after the end of the war. In the interim period, he had cast off his playboy image, married Olive Field Cawley and was showing serious signs of wanting to fulfil his destiny.

It was a critical time for the nascent computer industry. The Eniac, one of the first electronic digital computers, had been built at the University of Pennsylvania by Presper Eckert and John Mauchly. Tom Jr. was impressed by the giant machine with its 18,000 vacuum tubes, but hardly captivated. What caught his imagination was a suitcased-sized electronic calculator dreamed up in IBM's own laboratories to tabulate a payroll – and doing it 10 times faster than IBM's electromechanical tabulating machines. Marketed as the IBM 603 and then 604, it sold in thousands.

Watson had the vision to understand that there would be a tremendous market for computers, used in shops, offices, and banks as well as scientific institutions. He believed that technology produces new markets and new business opportunities; his father found the new concepts hard, but was prepared to indulge his son. What neither of them could have realised was the huge amounts of investment required by the new technology.

> That IBM is acknowledged as the biggest computer company in the world is his lasting memorial

The company began hiring electronics engineers in thousands. A "Defence Calculator" (eventually the IBM 701) costing $12m to develop, the most expensive project in IBM's history, was initiated. "We were essentially learning a whole new trade," Tom Jr wrote. "You had only to visit Poughkeepsie [an IBM laboratory still important today] to get an idea of the fundamental change taking place in engineering."

Tom Jr was appointed chief executive in May 1956. His father died later the same year at the age of 82. Watson was on his own as he prepared to lead IBM through its biggest gamble, the development of System/360, the most influential computer system the world has known – until the development of the personal computer. It almost broke the company in development, but its success guaranteed IBM's astonishing growth and development through the 1970s and 1980s.

Tom retired as chairman and chief executive in 1970 following a heart attack. He cut his formal links with IBM, spent time sailing Palawan, his 68-foot ketch, and indulged his passion for flying. A spell as US ambassador in Moscow followed; he had come full circle, recalling in his autobiography that the squalor of the city reminded him of the four months he had spent in Russia as a pilot and aide to General Bradley. It was not, however, a happy time for him – he was no diplomat – and he was relieved to return to the US 10 years after he stepped down from the top job at IBM.

He once said: "The secret I learned early on from my father was to run scared and never think I had it made. We got highly excited over things that were not that important. I never felt I was completely adequate to the job and always ran scared. In June 1957, a year after my father died, I said 'By golly, Olive, I've made it through 12 months'."

During his period at IBM, he changed the company's organisation, technology, even its sense of corporate design, all for the better. He was a decent man who worked hard to carve out an identity and purpose for himself; it is no fault of his that his achievements and his father's will always be bracketed together.

Thomas Watson Jr, born January 8, 1914, Dayton, Ohio. Died December 31, Greenwich, Connecticut, aged 79.

Clinton presses health reforms

By George Graham in Washington

President Bill Clinton started his working year yesterday with a White House meeting intended to get his plans moving again for reform of the US healthcare system.

He insisted that legislation to overhaul the healthcare system, several times postponed in 1993, would be approved by Congress this year.

"I believe that 1994 will go down in history as the year when, after decades and decades of false starts and lame excuses and being overcome by special interests, the American people finally had health security for all," Mr Clinton said at a meeting of his senior healthcare advisers.

While concern about the healthcare system remains high among US voters, the issue has lost some of the urgency that drove the Clinton administration's proposal, announced last year, for radical legislation that would guarantee a fixed package of health benefits to all US residents.

The bill faces hard pounding in the congressional committee process , and few expect it to emerge without significant modifications.

The delay in pushing the legislation through Congress has given Mr Clinton's opponents time to muster their forces against crucial elements of his plan, especially the requirement that all employers pay most of the cost of health insurance for their workers.

"We'll need a different plan," Senator Robert Dole, the Republican leader in the Senate, said in a New Year's Day address, "taking the best ideas, if any, from all the proposals but without price controls, employer mandates, mandatory health care alliances and massive overdoses of government control."

Some Republicans are even betting that public demand for healthcare reform has died down enough to remove the need for radical change altogether.

While most members of Congress appear still to believe that a substantial reform law will be enacted, Senator Nancy Landon Kassebaum, the senior Republican on the Senate labour committee, predicted yesterday that comprehensive legislation would not pass.

Mr Clinton said yesterday that he remained open to alternatives but that, after weeks in which his proposals have been dissected, he wanted people to look now at the details of rival plans and at the cost of the status quo.

"I have said all along what my bottom line is: that we have to have comprehensive benefits that can never be taken away; that we cannot go on being the only country in the world with an advanced economy that cannot figure out how to guarantee health security to all our people," he said.

Cubans urged to resist US pressures

By Canute James in Kingston

President Fidel Castro has asked Cubans to continue defying economic pressures from the US and to be "ready to go to the grave" defending the revolution which he led 35 years ago.

Speaking on the anniversary of the revolution at the weekend, he said Cuba had achieved a feat in "resisting the imperial power" which "will not be able, to defeat us".

The president reminded his audience that his administration had provided free health care and education, but had been hit hard by the break-up of the Soviet Union, Cuba's main trading partner, and by the reinforcement of the US economic blockade.

The island's mounting economic problems have led the government to implement a series of changes, including self-employment in some sectors, an increase in the number of private and co-operative farms, and the free use of foreign currency.

Mr Castro earlier told the national assembly that the economic changes were necessary as Cuba had to make "concessions and take steps backward" from the construction of a socialist society. "We are doing it without fear or vacillation, but without ever forgetting the idea of perfecting this system of social justice."

Armed peasants continue to occupy three towns in land reform uprising

Mexican forces pursue Indian rebels

Mexican federal forces yesterday pressed their hunt for armed Indian peasants in the southern state of Chiapas after dozens of people were killed in heavy fighting sparked by a rebel uprising, Reuter reports from San Cristobal de las Casas.

Officials said the peasants, who have declared war on the government in their campaign for the rights of native peoples, had not responded to the government's offer to negotiate.

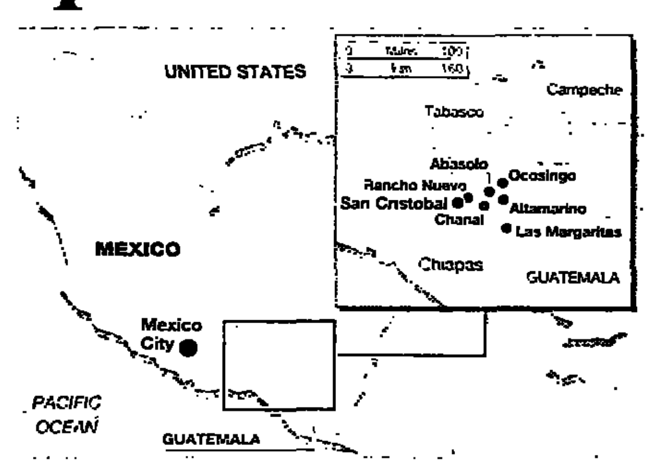
The self-proclaimed Zapatista National Liberation Army, a band of about 600 armed peasants, many of Mayan descent, continued yesterday to occupy at least three of the four small towns where the began uprising on New Year's Day.

After an overnight lull in the fighting, helicopters yesterday roared over the forested hillsides around San Cristobal despite heavy early fog as the full search for the guerrillas resumed. Gunfire and grenade explosions could be heard in the mountains surrounding the city.

Government soldiers were patrolling the town, the largest in the area, taking control of the centre and all roads in after the rebels fled on Sunday. Officials claimed federal forces were pushing the rebels out of Ocasingo, east of San Cristobal.

The peasants took over the towns, calling for land reform and a new government, on the day that the North American Free Trade Agreement went into effect. They accused the government of a history of genocide and said that Nafta would be a death sentence for Mexico's indigenous peoples.

The rebels are apparently concerned that industrial development in the north expected to result from the pact could harm their way of life. For [the government] it doesn't matter that we possess nothing, absolutely nothing; not a home, not land, not work, not education," the rebels said.



Mr Rafael Gonzalez, secretary-general of the state government, said the government was prepared to negotiate, with the Roman Catholic church as mediator. He also said the death toll was likely to rise: "We fear the number of civilian casualties may be higher than we have confirmed." The army said that 30 people, including six soldiers and 24 peasants, had died on Sunday and that another 27 people had been killed on New Year's Day.

It was not clear whether the civilians the official referred to included the armed peasants.

Government and church officials in Chiapas said the region's indigenous people had become increasingly angry in recent years because the economic changes wrought by President Carlos Salinas have not reached them.

"The real background is complete marginalisation and poverty and the frustation of efforts of many years trying to improve the situation," said the Rev. Gonzalo Ituralde of the San Cristobal parish.

The peasant group apparently takes its name from Mexican revolutionary Emiliano Zapata, who led peasant uprisings and land takeovers early this century.

Chiapas is a poor rural state that has been the site of numerous conflicts involving indigenous groups and farmers and ranchers in recent years.

Carey in Khartoum overture

By Leslie Crawford in Nairobi

The Archbishop of Canterbury, Dr George Carey, attempted yesterday to calm a diplomatic row caused by his visit to guerrilla-held territory in southern Sudan, saying he was willing to visit the north if he were guaranteed freedom of movement by the Islamic government in Khartoum.

Sudan expelled the British ambassador last week after learning that Dr Carey, had cancelled his visit to the capital. Britain has threatened retaliation unless the decision is reversed by today, a demand Sudanese state radio described as "insolence".

Dr Carey, spiritual leader of the world's 70m Anglicans, said his purpose in visiting southern Sudan was to draw international attention to a forgotten civil war which has dragged on for 10 years.

Rights group damns both sides in Algeria

The Algerian government and the fundamentalist Islamic Salvation Front (FIS) are both to blame for a human rights crisis gripping Algeria, Middle East Watch said yesterday, Reuter reports from Washington.

The North African nation "is now mired in a virtual civil war in which the rights of no one are inviolate and the democratic process has been all but abandoned," the human rights watchdog group said.

The report by the organisation, a division of Human Rights Watch, was timed to coincide with the second anniversary of the cancellation of Algeria's last elections. The country has been gripped by political violence since January 12 1992, when the authorities cancelled the general election which the FIS was poised to win.

The FIS was later banned, and since then at least 1,800 militants, security officers and civilians have died in politically related violence.

Middle East Watch said the human rights record of Mr Redha Malek's government "has done little to distinguish itself from the FIS-led repression and human rights violations the coup-makers claimed to have acted to prevent."

It singled out for criticism the government's special court system, accusing it of subjecting fundamentalist suspects to mistreatment, torture and other judicial abuses and urging that all those convicted by these courts be released or given new trials.

It also blamed fundamentalists for political violence and urged FIS leaders to condemn unequivocally all such violence and to use all means at their disposal to end violent attacks on civilians by fundamentalist groups.

Middle East Watch said the FIS and the government also share the blame for muzzling Algeria's media.

Zimbabwe moves to boost foreign investment

Tony Hawkins details the Harare government's far-reaching package of trade and payments liberalisation measures

Zimbabwe has floated its currency, launched a two-tier foreign currency market and devalued the official exchange rate by 17 per cent to Z$8.2 to the US dollar.

Mr Richard Hove, the acting finance minister, and Dr Leonard Tsumba, governor of the central bank, also announced the abolition of direct import allocations, the launch of foreign currency accounts (FCAs) for companies and an increased ceiling for dividend remittances, all effective from January 1.

The far-reaching package had been widely trailed and contains no surprises.

For foreign companies, the two most significant changes are the increase in the ceiling on dividend remittances to 50 per cent of after-tax profits from 25 per cent previously, and the abolition of so-called surplus funds.

These apply to all pre-1979 companies – that is, foreign companies that invested in the former Rhodesia before the start of the Lancaster House independence conference in September 1979. Post-1979 companies have long been allowed the higher 50 per cent rate, while companies investing after May 1, 1993, may remit 100 per cent.

The abolition of surplus funds means that foreign multinationals with excess cash can now invest anywhere in the money market. Until now, they have been required to deposit with their banks, earning a maximum of 5 per cent. They can now invest at money market rates in excess of 25 per cent.

From this week, exporters will retain 60 per cent of their export earnings (up from 50 per cent previously) and can hold these for up to 90 days in a foreign currency account with a Zimbabwe bank. The balance of 40 per cent must be sold to the central bank at the official exchange rate.

With the abolition of direct import allocations, importers will have to buy their foreign currency requirements from the new interbank market where there is likely to be a small premium of around 1.5-2 per cent. Prior to the weekend devaluation, export retentions were trading in the unofficial market at a premium of 23 per cent, but most of this will have been eliminated by the 17 per cent devaluation. The government will use its 40 per cent of the country's export earnings to pay for public sector imports, fuel and debt service.

From today, the central bank will no longer provide subsidised forward exchange cover for importers, who will have to buy it much more expensively from their commercial bank.

All invisible payments – dividends, royalties, licence management fees – will have to go through the interbank market and pay the premium. The 10 per cent tariff on imports brought in under the open licence system has been abolished, and the surtax on imports reduced to 15 per cent from 20 per cent previously.

Individual holiday allowances have been liberalised, with travellers allowed up to US$2,000 and the tax on such allowances has also been abolished.

Government officials hope the new measures will boost foreign investment and, to that end, the regulations covering portfolio investment have been further liberalised.

Foreign investors can now buy a maximum of 35 per cent of the equity in companies listed on the Zimbabwe stock exchange – up from 25 per cent previously. An individual foreign investor may now buy 10 per cent of the shares of a quoted company, compared with 5 per cent before.

Foreign investors were re-admitted to the Zimbabwe exchange only last July, since when there has been an inflow of more than Z$100m (US$12m at the new official parity).

Dr Tsumba admitted that the devaluation would be inflationary but, because import taxes had been lowered, believed the impact on inflation, currently 22 per cent, would be no more than 3 per cent.

There is some grumbling from businessmen, who are unhappy at the further devaluation (the Zimbabwe dollar has depreciated by 70 per cent over the past three years). But the package is likely to be well-received, especially by foreign companies which will welcome the liberalisation of dividend regulations and the greater financial flexibility provided by the interbank exchange market and the disappearance of the surplus funds requirement.

Zimbabwe has now implemented the bulk of its trade liberalisation reforms under its five-year structural adjustment programme.

Increasingly, the spotlight will now shift to the area of least progress – public sector reform. With official figures showing a disconcerting surge in government borrowing, which will fuel inflation later in the year if it remains unchecked, the government must now move to restructure the public sector.

NEWS: INTERNATIONAL

Move will be seen as seeking to appease China, which feared predecessor had too much autonomy

Hong Kong plans to cut powers of airport body

By Louise Lucas in Hong Kong

The Hong Kong government yesterday published proposals for the reconstituted Airport Corporation, reducing the powers of the body responsible for developing and operating Hong Kong's new airport at Chek Lap Kok.

The White Paper outlines controls aimed at making the reconstituted body more accountable to the government, in a move seen as seeking to appease China. Beijing was concerned that the previous body – the Provisional Airport Authority – had too much autonomy.

Mr Gordon Siu, secretary for economic services, said the bill provided for monitoring and controlling the work of the organisation in areas such as strategy, provision of information and financing and investment.

He said further checks existed outside present proposals restricting the way the corporation exercises its powers, uses public money and discharges its international obligations.

Progress on the HK$22.5bn ($2.9bn) airport – which was agreed in a memorandum of understanding signed by the Chinese prime minister, Mr Li Peng, and his British counterpart, Mr John Major in 1991 – has been scuppered by a deadlock over the financing arrangements.

China has rejected financial packages put forward by the Hong Kong government on the grounds that they will leave a financial burden on the post-1997 government. Any financing for such a big project would straddle 1997, when the colony reverts to China.

The draft legislation published yesterday turns the Provisional Airport Authority into a corporation, to be run along the same lines as the government-owned Mass Transit Railway Corporation, which also started life as an authority.

Mr Siu said: "This is a delicate balance to strike between commercial freedom and accountability to government. We obviously cannot create a government-owned corporation without controls, but neither can we fetter the corporation to such an extent that it is unable to raise funds in international markets, attract investors in airport facilities, and operate commercially and flexibly."

The government hopes to have the bill before the Legislative Council before the summer recess in July. A public consultation period stretches through to February 28, after which the bill will be discussed with the Chinese side and, if necessary, redrafted.

● The Chinese yuan, which was in effect devalued by 33 per cent on Saturday after the government abolished the official exchange rate, yesterday closed virtually unchanged from Friday at 8.71 to the US dollar on the Shanghai market.

With the passing of the official rate, all currency transactions now take place at what Beijing terms a floating rate, determined by supply and demand. This is fixed daily by the central bank according, it says, to market conditions. It was set at 8.7 to the dollar on Saturday. Transactions are carried out through foreign exchange centres, of which Shanghai is much the largest.

Turnover was high at $60m – more than double the volumes witnessed last year.

Transactions which would previously have taken place at the official rate – some 20 per cent of total transactions, according to Chinese sources – would have gone some way to boosting volumes, but Hong Kong economists reckoned tight controls left little room for speculators.

Instead, Mr Stanley Wong, treasurer of Standard Chartered Bank, attributed the swollen volumes to traders rushing to switch currencies before the next raft of reform measures from Beijing.

Beijing's move to unify exchange rates took place ahead of sweeping reform plans that will embrace trade and the financial and banking sector. Also coming into effect this month is a revamped indirect taxation system, which streamlines the old consolidated industrial and commercial tax into a consumption tax, targeting luxury goods; value added tax; and business tax.

Economists in Hong Kong reckon China's central bank will retain strict control to keep the yuan stable.

Confusion continued to reign among owners of Foreign Exchange Certificates, the currency which foreigners in China were required to use and which is now to be phased out. The government made no announcement on how it intended settling outstanding FECs, nor how it would go about withdrawing them from circulation.

Jordanian king hits at Arafat over peace talks

By James Whittington in Amman

King Hussein of Jordan has attacked PLO chairman Yassir Arafat's handling of the Middle East peace talks. In an outspoken statement the king said Mr Arafat had one "last chance" to sign an agreement on Jordan's economic role during transitional Palestinian autonomy in the occupied territories. Otherwise, he said, Jordan would move ahead with its own separate talks with Israel.

Displaying frustration at being left out of discussions between the Palestinians and Israelis on limited self-rule, the king complained about Mr Arafat's constant procrastinations during talks with Jordan. "We cannot go on saying there is co-ordination if there isn't or that there is agreement when there is none," he said.

The king's ultimatum came amid increasing Israeli dissatisfaction over the stalled Cairo autonomy talks and within the PLO itself over Mr Arafat's leadership style.

Senior PLO officials met yesterday in Tunis to try to persuade their chairman to widen the decision-making process and come up with a coherent strategy for talks with Israel and Jordan.

An economic agreement between Jordan and the PLO which would give Jordan's central bank wide-ranging monetary responsibilities in the occupied territories has been ready for months. But Mr Arafat has held back from endorsing it for fear of relinquishing Palestinian fiscal responsibilities to the Jordanians.

Jordan has already signed a memorandum with Israel to allow banks in Jordan to reopen branches in the West Bank and Gaza Strip. And Jordan's central bank governor recently said the reopening of branches would now not depend on the economic pact with the PLO.

The king also buried prospects of a Jordanian/Palestinian confederation, arguing that the idea was premature. "I have requested that my brother [Arafat] drop the expression of confederation from his dictionary and not to discuss it in any form or manner," he said. The PLO has been at pains to emphasis that the autonomy agreement with Israel will eventually lead to a confederation between Jordan and a Palestinian entity and joint committees had been established to discuss the issue.

Relations between the PLO and Jordan have been strained since the August announcement of talks between the PLO and Israel in which Jordan played no part.

PLO leaders yesterday rejected conditions set by Israel for the resumption of talks on implementing their agreement on Palestinian self-rule, Reuter reports from Tunis.

"We reject the Israeli diktat and we wait for Israel's response to our amendments to its proposals," PLO executive committee member Suleiman Najab said.

"They [the Israelis] are responsible for the halt in negotiations," he said after an executive committee meeting chaired by Mr Yassir Arafat.

The two sides had hoped to meet in Taba, Egypt, today to thrash out issues holding up the start of an Israeli troop withdrawal from the Gaza Strip and the West Bank town of Jericho. Under the September peace accord Israel was to have started its withdrawal on December 13.

Najibullah Popal, deputy president of the Kabul Museum, collects debris from its ruins. It was destroyed in recent fighting. Reuter

DOZENS KILLED IN KABUL AS 'THREE-WAY CIVIL WAR' RAGES

Fighters loyal to the president of Afghanistan, besieged by a broad new anti-government alliance, yesterday attacked rivals in several parts of the country, including the capital, Kabul, Steve LeVine writes from Tashkent.

President Berhanuddin Rabbani appeared increasingly isolated and powerless to end the fighting that has consumed the country for almost 15 years.

Dozens were reported killed and more than 800 wounded in Kabul from rocketing and machine-gun fire in the past three days.

About 70 were said to be injured in the northern capital of Mazar-i-Sharif, where the UN responded yesterday by evacuating half its international staff of about 15 people.

One western diplomat called the new round of fighting a "three-way civil war", pitting Mr Rabbani against forces loyal to the prime minister, Mr Gulbuddin Hekmatyar, and the powerful northern Uzbek warlord, Mr Rashid Dostum.

The fighting is particularly divisive because combatants line up along mostly ethnic lines, with Mr Rabbani's tribal Tajiks opposed by nearly every other Afghan nationality.

The three-way battle stems from the chaos that enveloped Afghanistan following the fall in April 1992 of Moscow-backed President Najibullah. Fighters loyal to Mr Rabbani took control of the capital, but Mr Dostum also demanded power, since his defection as Mr Najibullah's general triggered the government's demise. But Mr Hekmatyar, with huge caches of US-made weaponry, has insisted on a share of power.

NEWS IN BRIEF

Japanese win steel plant deal

Perjawa, the Malaysian government-controlled steel company, has awarded contracts for the construction of two steel plants on peninsular Malaysia's east coast to a consortium of Japanese companies, writes Kieran Cooke in Kuala Lumpur.

The consortium – made up of the Itochu Corp, Nissho Iwai Corp, Tomen Corp, NKK Corp and Kawasaki Heavy Industries – is due to start work on the two plants this month. The consortium said the contracts were worth around Y76bn ($689m).

One of the plants to be built will produce steel sheets and other flat steel products. The other will produce steel bars.

Malaysia is expanding its steel industry and aims to achieve self sufficiency in steel products by 1998.

Singapore GDP up 9.8%

Singapore's gross domestic product grew by 9.8 per cent in 1993 compared with 5.8 per cent in 1992, Prime Minister Goh Chok Tong said in a new year speech. He said government growth forecasts indicated growth between 6 and 8 per cent in 1994. writes Kieran Cooke.

Mr Goh said Singapore had continued to attract high levels of foreign investment. In 1993, foreign investments amounted to S$3.9bn ($2.43bn), up from S$3.5bn in 1992.

Malaysia banking move

Bank Negara, Malaysia's central bank, has raised the statutory reserve requirement for banking institutions from 8.5 per cent to 9.5 per cent to prevent further inflationary pressures, writes Kieran Cooke.

S Korea trade deficit falls

Brisk exports of autos, electronic goods and machinery helped South Korea cut its 1993 trade deficit to $1.35bn from $5.14bn the previous year on a customs clearance basis, AP-DJ reports from Seoul.

South Korea is also believed to have come close to balancing its current accounts in 1993.

Green light for new drugs to enter big US market

By Daniel Green in London

Drugs with potential annual sales of hundreds of millions of dollars were approved for sale in the US last week by the Food and Drug Administration.

Among companies whose products cleared the hurdle are the UK's SmithKline Beecham, Bayer of Germany and Genentech, the US biotechnology company 60 per cent owned by Roche of Switzerland.

Success in the US market is essential to the fortunes of a new drug. The US is easily the world's biggest drugs market, accounting for more than a third of global sales.

Genentech's drug, DNase, is the first product in 30 years specifically developed to treat cystic fibrosis, the inherited lung disease. It is not a cure for the disease, but the FDA found that it made a significant difference in the quality of life for sufferers.

DNase is likely to be one of the biggest selling products from biotechnology companies. US stockbroker Lehman Brothers estimates sales at more than $250m a year.

SmithKline Beecham saw the approval of Kytril, to prevent nausea and vomiting associated with cancer therapy. Kytril enters a rapidly growing and lucrative market. However, it competes with Glaxo's Zofran, which has a two-year head start in the US market and is available in an easier-to-use tablet version.

Zofran already has sales of more than £300m ($444m) a year and the tablet version of Kytril is unlikely to be approved before 1995, said Mr Duncan Moore, a pharmaceuticals analyst with US broker Morgan Stanley.

Bayer's newly approved drug is aprontonin, which can reduce the need for blood transfusions in patients undergoing heart bypass surgery. Fewer transfusions cut the chances of infection.

Other companies with end-year approvals were:

- Bristol Myers (US) with Dovonex ointment, for the treatment of the skin condition psoriasis;
- Warner-Lambert (US) for Neurontin, an anti-epileptic;
- Wyeth (US) for Effexor, a depression treatment;
- US Bioscience for Neutrexin, a therapy for pneumonia associated with Aids;
- Janssen, the Belgian subsidiary of US company Johnson & Johnson, for Risperdal, a psychosis drug.

JAPANESE PRESS REVIEW

On a Japanese news-stand, the high-minded morning dailies are stored in neat rolls at the front, and the comic books, more for the office worker than the schoolboy, are tucked away on the lower shelves.

Within easy reach on the counter are the most important sources of information, the weekly news magazines, where the Bank of Japan governor, the wayward soccer player and the ambitious politician get equal, unflattering treatment.

The morning newspapers have a sameness ensured by clubby journalists and cartel-style reporting, but the weekly magazines generally see their role as the pursuit of the scoop and the scandal. A few of the dozen mainstream publications have serious coverage of the sensational or sensational coverage of the serious, while the less restrained magazines launch no-holds-barred assaults on public figures, icons included, who have taken a bribe or been unfaithful or simply slipped over within range of a camera lens.

It is coverage unflattering to the end. Last week's crop marked the passing of Mr Kakuei Tanaka, the former prime minister and godfather of the Liberal Democratic party. Focus magazine (circulation 600,000) sifted through the archives to find a series of pictures showing the great man hugging hostesses after an evening of relaxation at a favourite bar.

But the same edition also provides an accessible introduction to the erratic thoughts of Mr Vladimir Zhirinovsky and his Russian version of a Liberal Democratic party. Nearby are photographs of actresses, animals, and accidents; and in a society restrained by deference to the long-term relationship, there are few relationships not worth rupturing for the sake of a garish headline or a mocking caption.

Tanaka: unflattering coverage to the end. Reuter

Several weeklies are the alter ego of the serious dailies, run by the same company but filled with the news not fit for them to print. The Weekly Yomiuri maintained the Yomiuri newspaper group's sympathy towards Mr Tanaka by opening the magazine with a pin-up portrait and a short but positive review of his career. Words are kept to a minimum, as most readers have waded through newspaper obituaries before reaching for their weekly.

Mr Tanaka's resignation as prime minister in 1974 followed magazine articles about his personal finances and fund-raising methods. Newspaper reporters were aware of the unseemly deals done to finance the Tanaka empire, but none was willing to compromise the relationship by writing the story, fearing that privileged access would be denied them and their newspaper.

Readers are apparently attracted by the magazines' sudden shifts in mood, one page smut and the next page a Socialist politician petting his poodle. The deeply downmarket Friday, the offspring of an academic book publisher, in its "Ahh, that person, that question" section asks whether Mr Yasushi Mieno, governor of the Bank of Japan, should be paid an annual bonus for allegedly causing the recession.

Mr Mieno, who has clearly done his best to avoid recession, also appears in the Weekly Post, where commercial bankers and bureaucrats complain that his puritanical streak is bad for equity prices. The negative coverage of Mr Mieno reflects the willingness of the weeklies to print unsubstantiated sniping, and the inability of the Bank of Japan to handle journalists other than banking writers conscious of their own reputation.

Publishers are aware that a good reputation and a solid repertoire don't necessarily work for a weekly. The left-leaning Asahi Journal closed in 1992, when circulation had fallen to 60,000, less than a quarter of its peak, as readers tired of its well-meaning coverage of important issues. The Asahi newspaper group still has the Weekly Asahi and Aera, which had a worthy lead article last week on the costs of a government-sponsored rice cartel and corporate survival tactics for a recession, but also wondered why the country's best known golfer went weak at the knees on the final day of a tournament.

The group dips a little downmarket with the semi-serious Weekly Asahi, strong on political coverage, but with a starlet on the cover last week, six pages of Japanese dog photographs and a feature on a dog's life in Belgium. Its favourite political target (meaning that the rolls of film are carefully studied for an unflattering angle) is Mr Ichiro Ozawa, the powerbroker who defected from the LDP to pull together the coalition government.

Asahi magazines tend to sidestep the lewd, but Shukan Shincho manages to blend the high-brow with the low-cut by running a pictorial investigation of trends in the international pornography industry, adjacent to a poetic study of the cherry blossom and the Tanaka funeral as told by photography. The serious writing starts on page 22 with a well-researched report on the battle between the bureaucracy and the coalition government, while the rest of the cast includes IBM, a professional wrestler's heartthrob, Salman Rushdie, Japan's entrant in the Miss Universe contest, and Chairman Mao Zedong.

Robert Thomson

Japanese business in plea on economy

By Robert Thomson in Tokyo

Business organisations in Japan yesterday called for financial reforms to ensure the long-term health of the economy, while a survey of executives found most expected economic recovery late this year or early next year.

The Japan Association of Corporate Executives called for more competition among financial institutions, echoing the Bank of Japan's advice that stronger commercial banks should be prepared to break from the policy of walking in line with weaker institutions. Business leaders have complained that the lack of distinction between strong and weak banks means companies lack choice in raising finance and industry standards are set by the weaker institutions.

Meanwhile, the Federation of Economic Organisations said stability in the financial system would be a necessary part of an economic recovery. The federation was reflecting widespread concern about the mounting bad loans of commercial banks, which helped to fuel the speculative property bubble of the late 1980s.

A survey of executives at 100 leading companies found 61 expected recovery late this year, while 22 others were looking for an upturn early next year. Just over half the respondents to the survey by Kyodo, the Japanese news agency, expected economic growth of between zero and 1 per cent in the financial year beginning in April, though 13 predicted that there would be no growth.

NEWS: UK

Tax increases 'will not stop modest growth'

By Emma Tucker and Keith Fray

Tax increases in the spring will not blow the recovery off course, but growth until the middle of the decade will be unspectacular, unemployment will remain high, and inflation will stay well under control, according to a Financial Times survey.

The latest survey of 39 independent economic forecasters shows analysts backing the government view that the economy will grow a modest 2.5 per cent this year, and by only a little more in 1995.

While the average of growth forecasts is broadly in line with treasury thinking, the survey reveals sharp differences over:

- The expected impact of last year's budgets on the recovery.
- The performance of inflation over the next two years.
- The extent to which base rates will shift from their current level of 5.5 per cent.

Not one of the economists surveyed believes base rates will fall below 4 per cent either this year or next.

Most expect a half point cut in the spring as tax increases knock consumer confidence. But eight expect the government to raise interest rates this year to tackle a pick-up in inflation.

Economists at UBS, the Swiss bank, unconvinced that the UK has shaken-off its boom and bust tendencies, believe the intensification of wage pressures, capacity shortages and a deteriorating trade deficit will push inflation up to 8.2 per cent by the end of next year, with interest rates rising to 10 per cent.

That contrasts sharply with the consensus which puts the retail price inflation at 3.7 per cent by the end of 1995, and base rates at just over 5.5 per cent.

Few of the analysts go as far as Mr Roger Bootle at Midland Global Markets to declare that inflation is dead, but they nonetheless do not expect inflationary pressures to mount significantly over the next two years. "Inflation is a thing of the past and of the future, but not of the present," said Mr Robert Barrie at BZW, the stockbrokers.

Forecasts for government borrowing this year and next have been revised sharply downwards, but there is scepticism about the ability of Mr Kenneth Clarke, chancellor, to hold down public spending as successfully as he hopes. "No public sector pay policy has held for more than a couple of years without a catch-up wage explosion," said Mr David Smith at Williams De Broe.

Economists are collectively gloomy on unemployment. Not many expect the jobless total to drop below 2.7m this year, and even in 1995 the consensus puts it at only just under 2.6m.

The one notable exception is Mr Patrick Minford at Liverpool University who – with a view that a flexible labour market will allow for big drops in joblessness – sees unemployment dropping to 2.3m this year and 1.88m next year.

Rises attacked

Mr John Smith, Labour opposition leader, claimed that Britain's nascent economic recovery is likely to be hampered by tax increases due to take effect later this year.

Mr Smith welcomed signs of "modest" economic growth, but said forecasts that growth will accelerate failed to take account of the impact of tax rises.

His comments signalled the beginning of a New Year opposition offensive against the government's taxation policy. Labour believes the government is vulnerable to claims that both Mr Kenneth Clarke, chancellor, and Mr Norman Lamont, former chancellor, broke election promises not to increase taxes. "These are huge increases, the biggest increases in British peacetime history," said Mr Smith.

Cross-media ownership rules to be reviewed

By Raymond Snoddy

A wide-ranging review of UK cross-media ownership designed to encourage British companies to take advantage of opportunities in international media markets was announced by the government yesterday.

It is likely that further de-regulation of broadcasting ownership rules could follow, with a larger role for newspaper publishers in television ownership when the inter-departmental review is complete in about six months.

Mr Peter Brooke, national heritage secretary, said he wanted to see UK participation "in an enormously expanding market". The review comes against a background of rapid changes in the industry and growing internationalisation of media ownership. Newspaper proprietors have been lobbying hard to remove the rules presently preventing them holding more than a 20 per cent stake in either commercial television or radio stations.

Mr Brooke was, however, determined to maintain a production base in the UK because, he said, people like watching things produced in their own country "through their own national filter".

Ms Mo Mowlam, Labour's national heritage spokesman, generally welcomed the announcement, but wondered whether there would be a deal under which newspapers would be allowed greater participation in television ownership in return for accepting value added tax on newspapers in the next budget.

Major describes calls for clarification as desperate attempt to avoid clear choice

Sinn Féin accused of evading peace decision

By Kevin Brown in London and David Owen in Belfast

The British government last night accused Sinn Fe'in, the political wing of the IRA, of being desperate to avoid a decision on whether to accept the UK-Irish joint declaration on peace Northern Ireland.

Mr John Major, prime minister, sought to increase pressure on republicans by describing their calls for clarification as "an increasingly desperate attempt to avoid facing up to the clear choice that confronts them".

Mr Major's comments overshadowed concern on both sides of the Irish border about calls by Mr Albert Reynolds, Irish prime minister, for "demilitarisation" in Northern Ireland.

Officials in London and Dublin played down Mr Reynolds' remarks, which drew an angry response from unionists and a cautious welcome from Sinn Fe'in. Downing Street said there was no disagreement with the Irish government.

Writing in this morning's edition of the unionist Belfast Newsletter, Mr Major stepped up pressure on the republican movement by pledging to pursue "with renewed vigour" the so-called three stranded talks which began in 1992.

Mr Major said that agreement in the talks, which involve constitutional parties in London, Dublin and Belfast, was a "priority" for 1994.

Sinn Fe'in is excluded from the three stranded process, but Mr Major confirmed that the party would be allowed to take part three months' after a cessation of IRA violence.

In a passage aimed at the Rev Ian Paisley, leader of the hardline Democratic unionist party, Mr Major said suggestions that the joint declaration was a sell-out were "nonsense."

Unionists reacted angrily to the Irish prime minister's assertion that "the time has come to start the process of demilitarisation of the Northern conflict".

Mr Reynolds also said that both governments should be "persuaders for a new agreement on the future of the whole island".

Mr Reynolds remarks were welcomed by Mr Martin McGuinness, a leading member of Sinn Fe'in, which in the past has used similar language.

But hardline unionists insist the British government should defend the status quo rather than seek to persuade them of the need for change. Mr Paisley said Mr Reynolds' words made clear that the joint declaration was "marked with the bloody thumbprints of the IRA".

The Rev Martin Smyth, a senior spokesman for the moderate Ulster Unionist party, said Mr Reynolds's choice of words was "highly insensitive".

However, Mr Smyth said the UUP was comfortable with the prospect of British troop withdrawals relatively soon after a permanent halt to IRA violence.

He also said the party would be prepared to wait until the end of February for a definitive republican response to the joint declaration.

Downing Street said London and Dublin were agreed that demilitarisation would follow a peace agreement, and that both governments should actively pursue peace.

Dublin is expected to make a further gesture of goodwill to republicans at a cabinet meeting today by lifting the republic's broadcasting ban on Sinn Fe'in.

Portillo tipped to succeed Fowler as Tory chairman

By Kevin Brown, Political Correspondent

Mr Michael Portillo, the right-wing chief secretary to the treasury, emerged yesterday as a leading candidate to replace Sir Norman Fowler as chairman of the Conservative party.

John Major, prime minister, is understood to be considering four candidates to replace Sir Norman when he stands down in the summer.

Mr Major would like the job to go to Mr Michael Heseltine, trade and industry secretary, who is regarded as the government's best communicator, in spite of a heart attack last year. However, Mr Heseltine has told friends he is not interested in the job. He wants to continue at the trade and and industry department, at least until the next election.

Mr Major's second choice is Mr David Hunt, employment secretary. But Mr Hunt has also let it be known that he would rather remain in a departmental post.

The reluctance of the two frontrunners leaves the field to Mr Portillo and Mrs Gillian Shepherd, agriculture minister. Lord Archer, the novelist and former deputy party chairman, would like the job, but is seen as an outside candidate.

Mr Major has given Mr Portillo an opportunity to display his organisational skills by putting him in charge of the Conservative campaigns in London and the south-east in this year's local and European elections.

The government expects to be trounced in both elections, but Mr Portillo will be able to raise his public profile and demonstrate his campaigning ability.

A better than expected result would provide a sound platform for promotion to the party chairmanship.

Sir Norman, who was appointed party chairman in 1992, is expected to return to a business career.

Michael Portillo: chance to show campaigning ability

Operators braced for Channel price war

By Robert Rice and Diane Summers

Competition on the lucrative cross-Channel route will intensify next week when Eurotunnel announces its fares structure for the Channel tunnel which opens in May.

The tunnel operator is expected to offer return tickets for about £160 a car during the off-season rising to between £220 and £260 in the summer with premiums for busy weekends.

Eurotunnel yesterday refused to comment on the prices it will charge for using the £10bn tunnel, describing the figures as "pure speculation". But the company is expected to price its service competitively in an attempt to lure passengers away from the forry companies. About 18m passengers use Channel ferries each year.

The fares structure will be announced by Sir Alistair Morton, Eurotunnel's chief executive, on January 11. Tickets will go on sale the next day.

P&O Ferries currently charges £77 in the low season and £160 high season per car on the Dover to Calais route.

Few benefits for exporters from single market

Thousands of British exporters have failed to reap any benefit from the European single market, says KPMG, the accountancy firm, writes Robert Rice.

A survey of 6,400 companies found that almost 50 per cent of respondents felt they had not received any benefits from completion of the single market on January 1 last year, and any benefits companies might have received had been wiped out by increased bureaucracy.

Mr George Michie, a partner with KPMG, said: "The aim of the single market was to foster more efficient trade through the abolition of fiscal and physical barriers.

"These benefits seem not to have yielded any marked improvement for companies and indeed savings in time and money were reported as negligible."

The survey found that deliveries in Europe were neither faster nor cheaper since completion of the market. More than 50 per cent of companies said cross-border delivery times had not improved.

Companies had also experienced problems with red tape in dealing with other member states. In particular there were difficulties in obtaining numbers for value added tax and coping with excessive paperwork.

The survey found that manufacturers and wholesalers bought more goods from Germany and France than from any other member country. Retailers dealt mostly with Italy, France and Spain.

Mr Michie said UK Customs and Excise had done its best to advise businesses on how to cope with single market regulations, but it was clear that the rules were still too complicated.

MANAGEMENT: THE GROWING BUSINESS

Keep it clear, quick and stress-free

Venture capitalists competing for a decreasing number of attractive management buy-out deals need to become more attuned to their clients' needs, according to a survey carried out by Warwick Business School.

Managers who have been through the gruelling process of an MBO said venture capitalists sometimes behaved in a manner that made the deal unnecessarily stressful.

A particular cause for complaint was the tendency for venture capitalists to make unilateral changes to the deal at a late stage in the negotiations.

Other concerns included the amount of lengthy documentation, which was often duplicated by different parties to the deal, and a poor initial explanation of the nature of the funding process which left managers feeling ill-informed and frustrated by apparently inexplicable delays.

The research was carried out by Warwick Business School for ECI Ventures, the venture capital group, from MBOs of £2m to £10m between January 1991 and June 1993.

The survey showed that nearly three-quarters of those interviewed said the impetus for the buy-out had been the parent company's decision to sell the managers' enterprise.

Because of time pressures, management teams approached, on average, only three venture capitalists before deciding who would fund them.

The managers tended to rely on their "own initiative" in deciding where to go for external equity. Forty per cent of management teams had already approached venture capitalist financiers before they recruited a financial adviser.

Nearly half the teams did not rate their financial advisers as influential in the selection of a source of equity while only nine per cent said the advisers were "highly influential". Bank managers did not rate as an important source of advice.

Managers said their ideal venture capitalist would conclude the finance negotiations speedily and would have resources available for future expansion.

RG

Warwick Business School, University of Warwick, Coventry CV4 7AL. Tel: 0203 524622. Fax: 0203 524628

Back to basics on the factory floor

Richard Gourlay examines the Japanese concept of continuous improvement and finds that dramatic change can be achieved with employee co-operation

It takes a brave man to allow consultants to tear up his factory and re-arrange it overnight. It takes employees who are even more understanding to accept such changes.

At the Paddy Hopkirk car accessory factory in Bedfordshire just before Christmas, consultants inspired by the Japanese concept of continuous improvement – or Kaizen – did just that.

One morning the factory was an untidy sprawl of production lines surrounded by piles of crates holding semi-finished components. Two days later, when the 180-strong workforce came to work, the machines had been brought together in tightly grouped "cells". The piles of components had disappeared, and the newly-cleared floor space was neatly marked with colour-coded lines mapping out the flow of materials.

Overnight, there were dramatic differences. In the first full day, productivity on some lines increased by up to 30 per cent, the space needed for some processes had been halved, and work in progress had been cut considerably. The improved lay-out had allowed some jobs to be combined, freeing up operators for deployment elsewhere in the factory.

"I was expecting a change but nothing as dramatic as this," says Hopkirk, who is chairman. "It is fantastic."

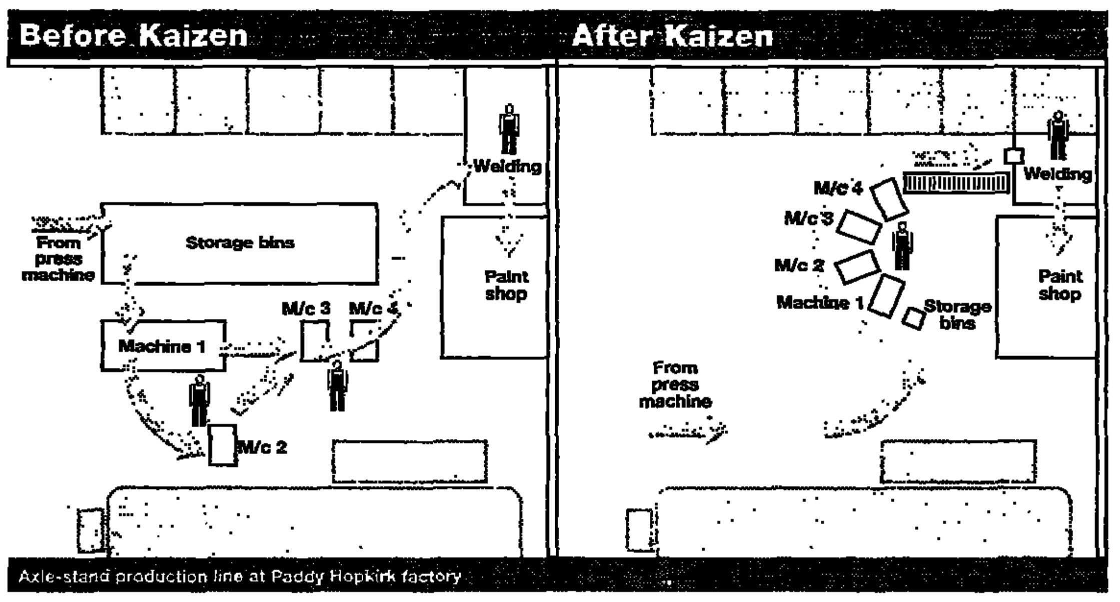
A natural marketing man, Hopkirk has successfully established the company on the back of the name he made for himself 30 years ago when he won the Monte Carlo rally in a Mini Cooper. Sales of his bicycle racks for cars are growing and making good margins; even the axle stands are holding their own against fierce Chinese competition.

But Hopkirk had long known his production processes left a lot to be desired. "We were a marketing company that went into manufacturing and could never get it right," he says.

Hopkirk discovered the Kaizen approach after an introduction from a US customer. He invited representatives from the Kaizen Institute, a European consultancy, and executives from other Kaizen clients to try implementing improvements in his factory over a five-day period.

In essence Kaizen is the antithesis of the old adage: "If it ain't bust, don't fix it". The theory is that managers lead a relentless drive to improve the production process, but can only succeed if they win the co-operation of the company's real "value-adders" – the shop floor workforce.

One of many Japanese management practices which have been adopted in the west, Kaizen is most frequently applied in larger companies. But it is equally valid in smaller factories. Paddy Hopkirk has sales of £6m a year, but with the help of continuous improvement thinks this can reach £9m.



Axle-stand production line at Paddy Hopkirk factory

Nor does its most simple application appear to require the services of expensive consultants. Before joining the Kaizen Institute, production engineer Ross Banarjee doubled production of fire extinguishers in six years for Thorn Fire Protection with a workforce of about 200 after implementing what he had studied in books.

Another convert is Brian Francis, managing director of Albion Press Metals in the West Midlands, who introduced Kaizen practices with the help of Nissan UK when he had 280 employees. Each year he was having to deliver productivity improvements because his customers would not agree any pricing increases.

Like many other suppliers to the motor industry who are in the same position, Albion has had to find the productivity increases by continually improving its manufacturing processes.

A central tenet of Kaizen is the elimination of waste. It not only exists in obvious piles of excess inventory. It is also wasteful when an operator makes more movements than is necessary to complete a task because his or her machine is badly positioned.

To reduce one of the biggest sources of waste, Kaizen favours one-piece production, involving as many processes as possible being carried out on a single part consecutively rather than one process being done in a big batch. Parts are only delivered to the next stage of the production or assembly process when they are needed. This so-called *Kamban* inventory delivery system ensures semi-finished goods do not pile up at each stage, tying up cash in work-in-progress. "Over-production belongs where it was over-produced," says Peter Willats who founded the Kaizen Institute of Europe with Masaaki Imai, author of a book that popularised the approach.*

Another central theme is the drive to reduce the time wasted in processes that do not add value, like carrying parts or moving from one machine to another. Willats says that in an average factory only one second is spent adding value – like drilling holes, assembling or packing – for every 1,000 seconds spent not adding value. He says he has never seen a factory cut this ratio to less than 1:200 but that managers and workers should continuously seek ways to reduce time-wasting effort.

One way of eliminating unnecessary walking is to set up production lines in a horseshoe shape rather than a straight line; in this way an operator doing a number of tasks will end up at the starting point for the next cycle.

This can also lead to surprising savings in space, which in Paddy Hopkirk's case is timely indeed. Hopkirk was wondering how to accommodate the extra workforce needed to handle this month's seasonal increase in demand on its cycle rack line. Space savings made during the workshop may solve the problem.

To a production engineer, much of what Kaizen advocates might seem like common sense. Much of it is. "The problem is that in the last 25 years we have lost the rigour to maintain those basics," says Pierre Lecocq, vice-president in charge of radiator manufacture at Valeo, the decentralised French car components group which has adopted the Kaizen approach. "It is not revolutionary in the sense that the tools we are implementing are very creative, it is just that the Kaizen system forces you to be thorough in maintaining the rigour," he says.

Like many good management ideas, Kaizen has spawned its lexicon of aphorisms. "Seek to create the obvious factory" is one. A storage shelf, for example, should be clearly labelled showing what tool should be there, where it is if it isn't, whether it is ready for use and when it was last overhauled.

Willats says this procedure can cut set-up times on machines that produce large batches of parts: the machine has shorter runs without being uneconomic, reducing work in progress and increasing the factory's flexibility.

Another article of faith – observed in Japan if not always elsewhere – is that "no one will improve themselves out of a job". This sums up a truth that companies will only get the full co-operation of workers if the improvements they suggest do not end in management laying them off.

"Creativity of the workforce does not come naturally even in Japan," says Lecocq. "There is a whole management system there to put pressure on operators to participate. A shop floor manager is directly judged by the number of suggestions his people are coming forward with." Too often, though, suggestion box schemes fail because the ideas are not evaluated quickly enough.

It also takes time to change shop floor perceptions. A job takes on a new dimension with Kaizen – continuous questioning of procedures rather than slavish adherence to them. But acceptance can be remarkably quick. Andy Hand, a production welder at Paddy Hopkirk, said of the overnight changes in his working environment: "It looks like the bosses had a brain transplant. A weight has been lifted off our shoulders."

Hopkirk wishes he had discovered Kaizen 25 years ago. But a better test of whether his factory has been transformed can only be seen over time. The Financial Times plans to return to the factory in the summer to see how continuous any improvement has been.

* *Kaizen – The Key to Japan's Competitive Success, Masaaki Imai, McGraw Hill.*

In a Nutshell

Advice for new exporters

Advice and help for new exporters is fragmented and divided between too many providers, according to a report by the British Chambers of Commerce.

Marketing of the services is not focused and does not reach the small and medium-sized companies that should be "taking up the export challenge", the report says.

The BCC says national television programmes should be produced to encourage exporters. Business Link should not be relied on to provide a full service – instead existing services provided by the DTI, Chambers of Commerce and Trade Associations should be improved and better co-ordinated. The government should also back a scheme offering temporary experienced help to companies developing export markets.

The BCC says there is "enormous potential" for many British companies in overseas markets but it says that potential exporters should have been established for more than 18 months, should employ five people or more and have sales in excess of £250,000.

British Chambers of Commerce: 071 222 1555

Companies 'under-insured'

Small high-technology companies are heavily under-insured in crucial areas of their business, according to a study by the University of Central England.

While 95 per cent of respondents took out standard property and liability insurance, only 5 per cent had key man insurance and 8 per cent professional indemnity cover, the report said. Fewer than 10 per cent of companies surveyed were protected against loss of patents and other forms of intellectual property.

Report available from University of Central England in Birmingham. Tel: 021 331 5575

THE *People* page

The rise of Alfredo Sáenz

Last week saw the latest chapter in the saga of Spanish banking. **Peter Bruce** reports

■ PERSONAL FILE

Born: November 1942 in Las Arenas, Basque Country

Academic qualifications: degree in Law from University of Valladolid and in Economic Science from Deusto University, Bilbao

Career:
1965 to 1980: board member of Tubacex, Basque steel pipe producer
1981: director of planning, Banco de Vizcaya
1983: managing director, Banca Catalana
1988: managing director; 1990: first vice president, Banco Bilbao Vizcaya
1993: president, Banco Espanol de Credito

Mario Conde, sacked last week as president of Banesto, Spain's fourth largest bank, used to dominate the vast dark green office he had at the bank's headquarters in Madrid's old financial quarter.

Its current occupant does not. The tall green tapestried folding screens, the white marble busts over the fireplace and the soft light filtering through the louvred windows somehow do not suit Alfredo Sáenz Abad.

Where Conde was immaculate, forceful and handsome, Sáenz seems quietly dressed, harmless and plain. Smaller too. On the face of it, Conde's removal and the nomination of Sáenz by the Bank of Spain to put in place a rescue package for Banesto has replaced the extraordinary with the merely normal.

But occupancy of that overdecorated office is a great personal triumph for an opera buff who is well connected in banking and politics. Alfredo Sáenz's rise to the top of Spanish banking has taken him from a top Jesuit university through lecturing to a string of senior jobs in the 1980s at Banco Vizcaya – then one of the most aggressive banks in the country.

Alfredo Sáenz has every intention of staying at Banesto now that he is finally in charge of one of Spain's "Big Five" banks. Sometime this year the bank's shareholders should elect a new board and despite a possible challenge from Conde, the backing of the Bank of Spain would make Sáenz a near certainty for president. He has been made to wait long enough.

Four years ago he came within an inch of securing the co-presidency of Banco Bilbao Vizcaya (BBV) the biggest privately owned bank in the country. It was the intervention of the Bank of Spain that was to blame for his failure. The Banesto post may be a reward for taking that loss like a gentleman.

The race for the BBV leadership was a spiteful affair and Sáenz was one of the few people to come out of it well. It started when one of the big Basque banks, Bilbao, made a bid to buy Banesto at the end of 1987. It was partly foiled by an injection of capital into Banesto by Mario Conde, then 39.

Sáenz' career as a banker took off under the patronage of Pedro Toledo, a clever banker with very close ties to the socialist government, who for many years ran Banco de Vizcaya, the highly regarded Basque bank. Sáenz' rise is in many ways a posthumous tribute to Vizcaya and to Toledo who died just over four years ago.

Toledo had a talent for hiring bright, ambitious people. Carlos Solchaga, the former finance minister, worked for him. So did Francisco Luzon, now chairman of Argentaria, the big federation of government-owned banks. Another was Sáenz, an alumni, like Conde, of the prestigious Jesuit university of Deusto in Bilbao.

He had taught management there (a former student is now minister of the interior), turned down the job of deputy defence minister and worked in industry in the Basque country, from where Toledo hired him in 1980.

Spanish banking was in deep crisis at the time. The Bank of Spain was pressing larger banks to take over about 50 troubled smaller ones to prevent them collapsing. The biggest concern was in Barcelona, where Banca Catalana, one of the emblems of Catalan banking, had come close to failure before the Central Bank fired its management just as they did Banesto's last week.

Catalana had overestimated its assets by some Pta800bn (£3,791m) and there were attempts to bring charges against the board, including Jordi Pujol, now leader of the Catalan regional government. They got nowhere. But after a brief stewardship by a pool of banks at Catalana, Vizcaya took it over and Toledo packed off Sáenz to put it back together. At the time, Toledo was assumed to have acted very recklessly in buying Catalana.

Yet Sáenz' sojourn in Barcelona had a happy ending. By borrowing from the Bank of Spain and other Spanish banks, he converted Catalana into one of Spain's most profitable banks and remains its president today. Unusually for a Basque, he is revered in Barcelona. He made his first speech to Catalana shareholders in Catalan, which he had learnt in just nine months.

After Bilbao's bid for Banesto failed, it sought and won a merger with Vizcaya. Toledo and Bilbao's ageing president, José Angel Sánchez Asaín, became co-presidents of the merged bank in 1988. The clear implication was that Toledo, the younger of the two, would rule on his own when Sánchez Asaín retired.

It was not to be. Toledo died suddenly in late 1989 of liver failure. Former Vizcaya people on the new BBV board quickly nominated Sáenz as his successor as co-president, which the Bilbao side rejected. In the clash of cultures that followed, former Vizcayans would accuse their new colleagues of being pen-pushers and counters of paper clips. The other side claimed Toledo had bred a team of flashy Rambo-bankers, unfit to run a bank as big as BBV.

In early 1990 the then governor of the Bank of Spain, Mariano Rubio, was asked to arbitrate and name a single president. Sánchez Asaín stepped aside but it was another Bilbao man, Emilio Ybarra, whom Rubio selected. He named Sáenz as first vice president; he has run the BBV's retail side since.

Since then there has been a steady leakage of Toledo's bright young men from BBV, where former Bilbao managers now hold sway. Many have gone off to Argentaria with Luzon.

For those that remained behind, biding their time along with Sáenz, Banesto and its 2,600 retail branches is their glittering reward. Within hours of Conde leaving Banesto, a stream of senior BBV managers began to take control of its operations. With few exceptions, they were former Vizcaya people; more are likely to follow. They long to recreate the upbeat, snappy atmosphere which marked Toledo's reign at BBV.

Mario Conde is unlikely to maintain silence on his ousting for very long. He owns 4 per cent of Banesto and he may challenge the decision to remove him. But it will be difficult. The Bank of Spain's blessing is essential to the survival of any bank president.

Conde cannot win back that approval; Sáenz has bucketfuls of it.

Sáenz is well qualified to revive the ailing bank. Banesto headquarters staff warmed to him; he was quick to remember names and let it be known he was not there as the vanguard of a BBV takeover. He wants Banesto independent and for himself and his people. Fortunately, his friends run the country. They will help him.

Internationally . . .

Next step in Galvin dynasty

Young Chris Galvin (right) has a tough act to follow, writes Laurie Morse. As newly-named president and chief operating officer of Motorola, he must maintain the momentum generated by former CEO George Fisher, who defected to Eastman Kodak in October. Under Fisher, Motorola became a legendary research machine with a reputation for quality products in two competitive high-tech arenas – wireless telecommunications and semiconductors.

In 1992, Motorola's sales were \$13.3bn, twice those of 1988, and profits in 1993 are projected to be close to \$1bn.

Galvin, at 43, seems young to take over; but his whole life has been training for the job. The grandson of Motorola's founder Paul Galvin, and son of Robert Galvin, who chaired the company for 26 years, Chris Galvin seems destined for the chairman's seat. His family owns 3 per cent of the company's stock.

Colleagues say he has much more going for him than the Motorola pedigree. Bright and ambitious, Galvin began working part-time in the family business in 1967, and joined the company full-time in 1973, peddling portable telephones. He worked through a series of sales management and marketing positions, earned an MBA from Northwestern University, and grew the company's portable paging division in the 1980s.

Galvin shares the chief executive office with Gary Tooker, a 30-year Motorola veteran who was Fisher's right-hand man, and who now holds the title of CEO.

With Motorola facing stiff competition from Intel in the semiconductor market, and from a host of overseas telecommunications rivals, the company is at a critical juncture. It is just embarking on a number of untried technologies, including the global communications scheme, Iridium, projected to cost \$3.4bn.

The task won't be easy. Motorola's stock was flying at a high 33 times earnings, or \$107 per share just before Fisher's departure. It has since skidded 19 per cent to \$87.

Edsel claws his way up

It cannot be easy having the most infamous first name in US automobile history, but Edsel Ford II nevertheless seems to be managing pretty well, writes Patrick Harverson.

The 44-year old Ford, who shares a name with the Ford Edsel, the car that bombed so spectacularly in the 1950s that its name eventually became synonymous with failure, has been made a vice-president of the auto manufacturer. His promotion has sparked speculation that he is being groomed for the top job at the company his great-grandfather founded in 1903. "He is clawing his way to the top," remarked one Wall Street analyst.

Although the family owns 40 per cent of the voting stock, a Ford has not run the company since 1980, when Henry Ford II stepped down as chairman. So it is understandable that the latest promotion of Edsel Ford has attracted some attention.

Edsel Ford is currently president of the group's finance arm, Ford Motor Credit; he has previously worked in the company's sales and marketing and international operations, a breadth of experience that will serve him in good stead should he ever end up running Ford. His chance may come as soon as the end of this decade, when the recently appointed chairman, Alexander Trotman, is expected to retire.

In spite of his nearly 20 years at Ford, however, there are still doubts over whether Edsel Ford has earned his promotions entirely on merit. David Healy, motor industry analyst at SG Warburg in New York, says that Edsel Ford's appointment as vice-president "really has more to do with the fact that this is a family company than it does with any normal executive decision".

Another, less charitable analyst, concurs, saying of Edsel: "Look, if his name wasn't Ford, he wouldn't be a candidate for the top job."

Banking on a rights issue

KLM Royal Dutch Airlines' long search for a finance director has finally ended with the appointment of Rob Abrahamsen, a senior executive at the airline's main bankers, ABN AMRO, writes Ronald van de Krol.

Abrahamsen, who joins on January 10, comes to the job with extensive experience in project financing, including the complex financing of new aircraft, now normal practice for capital-intensive airlines like KLM.

But it is already clear that one of his main challenges in the year ahead will be to put together a rights issue for KLM now that the Dutch national carrier's plans for a four-way partnership with SAS, Swissair and Austrian Airlines have fallen through.

Abrahamsen's task will be made slightly easier by the fact that the Dutch government, which owns 38.2 per cent of the airline, has already expressed its willingness to take part in any issue. So far, KLM has refused to be drawn on either likely timing or size.

The increased importance of finance in KLM's future is reflected in the decision to make Abrahamsen a member of the executive board. The previous finance director, Peter Alberda van Ekenstein, who left the airline in April, did not have a seat on the board.

Abrahamsen, a 55-year-old Dutchman, spent 25 years at the Netherlands Bank of South Africa, including a three-year stint as chief executive officer. Returning to the Netherlands in 1987, he spent a short time with the Netherlands Investment Bank before joining ABN in 1989, a year before its merger with AMRO. In his last job at the bank he was head of global clients and asset management and trust.

BUSINESS TRAVEL

Andrew Adonis on how your wish for simpler and cheaper phone calls from abroad can be granted

Magic card tricks

The extortionate hotel telephone bill need never enrage you again. The need to rummage around for piles of foreign coins to feed a pay telephone is an irritation of the past. So is the hunt for a kiosk that sells a telephone card – which you then usually carry home on the aircraft with most of its value unused.

Most European executives, however, still have not realised that carrying a telephone charge card is a way to short-circuit many of the hassles involved in calling home from abroad.

The idea behind "calling cards" is simple. You make your calls toll free, quoting a personal identification number, and the cost is charged either to your home or office telephone account, or to a credit or charge card account.

The majority of US travellers – at home and abroad – now have a telephone charge card. AT&T, the US telecommunications group, alone has more than 27m in circulation within the US. But it is estimated that only one in five UK travellers has a card, while elsewhere in Europe the proportion is thought to be lower still.

"Our main UK competitor isn't British Telecom: it's ignorance," says Mr Peter Valentin, AT&T's consumer markets manager in the UK. "Most travellers still don't carry calling cards; and their employers don't seem to realise the cost."

While a card can reduce the worry, frequent overseas travellers stand to gain from having more than one phone charge card. Different cards have different virtues, in terms of where you can call and how much it costs. And since most of the cards come free, the only drawback is the time it takes to work out which card to use when.

Calls by card are charged at a premium rate. But a typical hotel call from the US to the UK costs more than twice as much as using a US telecom charge card. Similar savings can be made from using cards issued by local telephone operators when calling between European countries.

All Europe's larger state telecommunications operators issue calling cards. And in most of the main business destinations you can use any card to phone home.

Competition between the card companies is fierce, and no two cards are alike. For the overseas traveller, therefore, three things need to be taken into account:

● Tariffs. For the US traveller, it is almost invariably cheaper to use a domestic than a foreign card to ring home. Rival US card producers are led by the three long-distance operators, AT&T, Sprint and MCI.

The same does not apply to UK or European travellers. In Europe, you are usually better off phoning home with a card from your national operator, but in the US you are likely to find it cheaper calling home with a US card. From next month, Sprint, the long-distance US carrier, is advertising a tariff from the US to the UK on its Foncard barely one-fifth that available on BT's Chargecard.

For UK travellers, Mercury's card generally works out cheaper than BT's. A 10-minute peak-rate call from Germany to London costs £9.89 with a BT card, but £8.99 with Mercury.

● Ease of calling. Some cards have wider coverage than others. The main American, European and Asian destinations are covered by most cards. But while BT boasts 82 countries from which the UK can be called by Chargecard, Mercury's Calling Card extends to only 36. AT&T's card can be used by US travellers almost anywhere: it even offers an online translation service in 140 languages, 24 hours a day.

Billing and calling procedures vary. Some cards allow you to charge the cost to a credit card; others restrict you to a home phone account. Of the UK cards, Mercury allows you to call direct, without going through an operator, while BT obliges you to go through an operator.

● Third-country calling. To protect their international revenues, some countries do not allow you to use a card to call a country other than that from which it originates. The principal business destinations affected are Spain, Japan, Singapore, China, Argentina and Brazil.

Only connect, for a more reliable ride

Daniel Green explores better ways of flying to eastern Europe

Travellers' tales from eastern Europe and the old Soviet Union, of overcrowded aircraft, of being flown to the wrong destination or of passengers having to club together to buy the fuel, make good table talk. But yesterday's fatal air crash in Russia (see Travel Update) is a reminder that safety, as well as comfort, should be taken seriously when you venture east of the Elbe.

One way of increasing the safety of your trip – recommended by the UK foreign office – is to seek out western airlines that fly to smaller cities in the east.

Several European carriers are making a virtue of their central European bases and are offering quick connections to destinations such as Bucharest and Timisoara in Romania, Kiev and Odessa in Ukraine, Minsk in Belarus, Alma Ata in Kazakhstan and half a dozen other hard-to-get-to cities.

The extra time needed is usually short, and the difference in comfort great

Your first choice should be Austrian Airlines. It flies to 10 cities that do not have direct links from London, Paris, New York or Tokyo, and it also offers short, same-day connections. Travellers receive boarding passes at their home airport for the onward flight and can check baggage through to their final destination. Austrian guarantees baggage transfer at Vienna even if there is only half an hour between connecting flights.

Although a direct flight might be faster, the extra time needed for the stopover in Vienna is usually short, and the difference in comfort and convenience great. Going to Kiev via Vienna, for example, you leave London at 07:35 and arrive at 14:50. The connecting flight from Paris leaves at 08:10, from Milan at 09:20 and from New York at about 19:00 the previous day.

The direct alternative from London, on Ukraine International Airlines, flies three times a week in the late afternoon, arriving at the inconvenient hour of 21:45.

Running a close second to Austrian Airlines is Lufthansa, the German carrier. It flies to many of the same cities, but some departures are too early for a same-day connection when starting from London, Paris or New York.

However, Lufthansa does fly to some cities that no other western carrier reaches. They include Alma Ata and Tashkent, the capitals of Kazakhstan and Uzbekistan, both important for the oil and gas industries.

Some oil executives are not so lucky. Cities such as Baku in Azerbaijan have no direct flights from west Europe. But it is possible to avoid flying via Moscow on THY, the Turkish airline. THY also flies to Ashkhabad, capital of Turkmenistan, and if there is no same-day connection in Ankara, THY will pay for a night's accommodation.

Travellers to the Baltic states have a wider choice. To Riga or Tallinn, you can go via Frankfurt or Munich on Lufthansa, via Copenhagen on SAS, or Helsinki on Finnair. For Vilnius, pick from SAS, Lufthansa, Austrian or Hamburg Airlines.

Some of these connections do not appear in airline guides such as ABC. And new destinations are continually being added: Austrian will fly to Odessa from this spring, for example. However, all connections and additions should be on electronic booking systems.

But it may be wise to stimulate the imagination of your travel department or agency to check all the options.

Rouble replaces dollar

The US dollar is due to disappear officially from Russia's shops in an attempt to put Russians more in control of their own finances.

Economists said a central bank regulation preventing traders from accepting foreign cash could help the rouble in the short term. But the real impact would be *psychological*.

Russia announced the ban on cash dollar trade in early October, days after President Boris Yeltsin sent in the tanks to quell a rebellion from the old conservative parliament.

The rouble more than halved in value in the first five months of last year, but the sharp fall ended in June and losses since then have been steady rather than dramatic. It now trades at around 1,250 to the dollar.

Under the new rules, credit card bills will still be denominated in dollars but cash payments must be made in roubles.

The dollar had virtually become a parallel currency in the two years since Russia launched its economic *reforms*.

Russian aircraft crash

A blazing Russian airliner crashed in the icy wastes of Siberia yesterday, ploughing through farmhouses and killing all 120 people on board, including at least 16 foreigners, in Russia's worst air accident in nearly a decade.

A spokeswoman for the Moscow-based State Committee for Emergencies said the captain of the Tupolev-154 craft had reported one of its engines catching fire minutes after taking off from the Siberian city of Irkutsk on Flight 130 to Moscow. As he turned back to the airport, the other two *jets of the Baikal Air aircraft* failed.

The airliner was just 12 minutes into what should have been a five-hour flight to the Russian capital from Irkutsk, an industrial town situated on Lake Baikal, the world's largest freshwater lake and a famous tourist attraction.

The British foreign office is advising travellers where possible to fly directly to their destination on an international flight originating outside the *former Soviet Union (see* article on this page).

BA long-haul smoking ban

Smokers travelling on British Airways' longest-haul flights now face up to 24 hours without a cigarette.

The airline is introducing a smoking ban for a trial period on flights to and from Australia and New Zealand and says it will become permanent if passengers are happy with it.

It will apply to all BA services operating to Sydney, Melbourne, Brisbane, Adelaide, Perth and Auckland, via both Singapore and Bangkok. The airline's *domestic UK flights and* European flights of less than 90 minutes are already non-smoking.

Mexican unrest

The situation around San Cristobál de la Casas in southern Mexico is still tense, following clashes between armed peasants and the army. An estimated 200 Mexican *soldiers patrolled the streets* and warned residents to stay inside for safety.

The peasants, who call themselves the Zapatista National Liberation Army and say they are fighting for indigenous rights, took over what the government now says was six cities in the southern state of Chiapas in New Year's day raids.

A rebel commander identifying himself as Comandante Marcos also told reporters that the uprising was tied to the North American Free Trade Agreement, the pact linking the US, Canada and Mexico in a free trade zone. It went into effect on New Year's day.

Likely weather in the leading business centres

	Tue	Wed	Thur	Fri	Sat
Tokyo	6	5	9	6	9
Hong Kong	22	22	21	22	21
London	6	4	4	3	6
Frankfurt	8	5	5	6	3
New York	2	-1	2	9	3
L Angeles	19	17	16	18	21
Milan	4	3	3	3	5
Paris	9	6	6	5	5
Zurich	7	6	6	4	2

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Other trouble spots

The British Foreign and Commonwealth Office has issued the following advice to travellers to other regions:

Philippines: Power blackouts of up to eight hours happen daily. Violence is a serious problem in parts of north Luzon and the Visayas.

A curfew is in force in Azerbaijan and all border areas should be avoided. Non-essential visits to Baku should be postponed. All visits to Tajikistan should be postponed because of political and ethnically based clashes.

ARTS

Essential dates for the cultured classes

The FT critics make their personal selection for this year's most exciting events in the arts

Opera in Britain/**Max Loppert**

Football? kick it around

In 1994, as in the year past, acres of *Carmen, Tosca, Fledermaus, Figaro* and *Magic Flute* revivals are set to bulk out the schedules of the main British opera companies – in other words, long runs of the easy-to-mount popular favourites, forced on most of them as a means of survival in hard times. If you look hard enough, though, there are genuinely exciting things in prospect, tucked away in the midst of those schedules.

Among these I would instance the Royal Opera's first-ever account of Rossini's *Mose in Egitto* (opening May 23) – that is to say, Rossini's Moses opera in its shorter, more consistent original (1818) Neapolitan form, rather than in its more familiar, looser-limbed later (1827) Parisian one. At Covent Garden this marvellous work, at once neo-Classical and early-Romantic in tone, is promised the fine cast – Anna Caterina Antonacci, Ann Murray, Bruce Ford, and Ruggero Raimondi in the title role – which all rare Rossini works need to persuade the unconvinced of their great merit.

At the English National Opera the latest opera premiere is likely to be of special interest: *Blond Eckbert* (opening April 20), the third opera by Judith Weir. Her previous two – *A Night at the Chinese Opera* and *The Vanishing Bridegroom* – each gained a popular success unknown to the general run of new opera, and with just cause: Weir's is not just an original view of the musico-dramatic medium, but a captivating, commanding, utterly fresh and personal one, capable of creating in each dramatic work a whole new world and transporting even the most "innocent", unlettered opera-goer into it.

Another new opera that whets the appetite, this time from Opera North, is being touted as the first-ever "football opera" – Benedict Mason's *Playing Away* (Leeds, from May 31), on a libretto by playwright Howard Brenton. Already Mason, a young English composer, has shown in a series of concert-works a quirky, madcap sense of humour that augurs well for his first venture into the opera house; and, even for those with no interest whatever in the subject, the hints of Faustian bargains-with-the-devil that are said to underlie the conception will surely add to the fascination.

1994 is, of course, the year that the new Glyndebourne Theatre opens its doors. It has 300 seats more than the old, and enlarged stage and audience facilities; but, in spite of that increased seating provision, for non-festival-members there is already probably small hope of getting seats (the festival repertory is made up of *Figaro, The Rake's Progress, Peter Grimes*, and new productions of *Don Giovanni* and *Onegin*), except by the usual stratagems of haunting the box office for returns.

As times in Britain get ever harder for the mounting fully fledged opera stagings, the attractions of concert performances are likely to increase for promoters. In London alone, in the first few months of the year, there is an unusual amount on exceptional fare offer. The BBC Symphony promises concert performances of Berg's *Lulu* (conducted by Andrew Davis) and, as part of a Luciano Berio festival, the first British outing of Berio's second opera, *La vera storia*. Verdi's *Ernani* comes on at the Festival Hall in March, given by the group Opera in Concert.

Perhaps most welcome news of all, the Royal Philharmonic Orchestra plans to renew continue its recently-forged, outstandingly successful link with the St Petersburg Kirov Opera and that company's remarkable chief, the conductor Valery Gergiev. Concert performances of two Rimsky-Korsakov rarities – *Kashchey the Immortal* and *The Legend of the Invisible City of Kitezh* – are in prospect next May, and impatiently awaited.

'Still Life: Bust, Bowl and Palette' by Picasso at at the Tate

Opera overseas/**Andrew Clark**

Some dreams come true

The international musical year makes its most dynamic start on the other side of the Atlantic, with three world premieres over the next six weeks. America's most experienced opera composer, Dominick Argento, evokes the spirit of the legendary 1920s Hollywood actor Rudolph Valentino in his new opera *The Dream of Valentino*, which will be unveiled by the Washington Opera (Jan 15). The other two premieres are orchestral: Kurt Masur conducts the New York Philharmonic in Schnittke's Eighth Symphony (Feb 10), and Daniel Barenboim conducts a new Elliott Carter work in Chicago (Feb 17).

In Europe, the spotlight falls initially on the Bavarian State Opera in Munich, where Peter Jonas has launched a British invasion in his first season as Intendant. Tom Cairns designs and directs *Un ballo in maschera* with a cast including Dennis O'Neill and Julia Varady (Jan 31), while Richard Jones and Charles Mackerras tackle *Giulio Cesare*, with Ann Murray in the title role (March 21).

Zurich also makes a rare foray into Handel with *Alcina* (Feb 5), one of two new productions conducted by Nikolaus Harnoncourt – the other being a very Viennese-looking *La Belle Hélène* (May 28). The highlight of the Geneva season promises to be Francesca Zambello's new staging of *Billy Budd*, with a cast headed by Robert Tear, Rodney Gilfry and Samuel Ramey (March 15).

Claudio Abbado's Faust series with the Berlin Philharmonic reaches its climax with Mahler's Eighth Symphony (Feb 12/13), but the event likely to generate most excitement in Berlin is saved for the end of the season – when Carlos Kleiber emerges from seclusion to conduct the federal president's charity concert (June 28).

Nothing in the Milan programme arouses undue interest – except perhaps Riccardo Muti's *Rigoletto* (May 14). French tenor star-in-waiting Roberto Alagna sings the Duke, before moving to Paris to join Nuccia Focile in *Romeo et Juliette* at the Opéra-Comique (June 24). Apart from a showing of Harry Kupfer's 1987 Stuttgart production of *Die Soldaten* at the Bastille (Jan 22), the only big-scale opera project in Paris is a new *Ring* at the Châtelet, conducted by Jeffrey Tate and staged by Pierre Strosser (June-Nov).

That may be overshadowed by the new *Ring* at Bayreuth – a curious marriage of arch-radical producer, Alfred Kirchner, and arch-conservative conductor, James Levine. But Bayreuth faces strong competition from this summer's Salzburg programme, which promises to be Gérard Mortier's strongest yet: a Barenboim-Chéreau *Don Giovanni*, two cycles of Beethoven symphonies conducted by Harnoncourt, a Stravinsky series featuring a Nagano-Sellars *Oedipus Rex*, and plenty of Stockhausen and Boulez.

Lovers of operatic rarities will seek out Lalo's *Le Roi d'Ys* at Marseille (March 16) and Reyer's *Sigurd* at Montpellier (May 6). But the most intriguing of all is the revival of Hans Krása's Dostoyevsky opera *Uncle's Dream* at the Prague State Opera – formerly Prague's German theatre, where it was premiered by George Szell in 1933. Krása was gassed at Auschwitz, and the opera has not been heard since – unlike his children's opera *Brundibár*, which was performed last year at London's South Bank. When a young Israeli conductor, Israel Yinon, recently asked Universal Edition for the score, he was told it had been lost. He persisted, and eventually found Krása's manuscript, complete with Szell's pencil markings, in the basement of the publisher's Vienna premises. Yinon conducts *Uncle's Dream* in Prague on March 27. (The production transfers to Mannheim in June.)

Jazz tunes in to anniversaries

Important anniversaries are celebrated in 1994 by two jazz record labels which each represent distinct and different aspects of the music. Expect much retrospection, recorded and live, to mark the occasions.

Norman Granz's Verve label was founded in 1944 with the launch of the Jazz At The Philharmonic shows in Los Angeles. JATP stars who found a home on the Granz labels which later became Verve included Charlie Parker, Lester Young, Ella Fitzgerald and Billie Holliday. On April 6, survivors Illinois Jacquet and Flip Phillips will be joined by current stars Joe Henderson and Betty Carter in a concert at New York's Carnegie Hall for the start of the year-long celebration. The reclusive Granz may even put in an appearance on the first night.

ECM, the German label which encapsulates all that is new and spiritual in jazz, is 25 this year and founder Manfred Eicher is thought to be organising appropriately ascetic and European events. Fans of Jarrett, Garbarek, Surman *et al* would do well to watch the listings in the autumn for signs of European Contemporary Music activity in a city near them.

Garry Booth

Exhibitions in Britain/**William Packer**

From Modigliani to 'Some went mad...'

We grumble and look at what Paris might have on show, or New York for that matter, or Washington, Madrid, Amsterdam. But we should admit that London, Edinburgh, Glasgow, Cardiff and, increasingly, the provincial cities, also have treats of the highest quality. Here is a short list of just some of the things that 1994 holds.

The Unknown Modigliani: 240 of the 440 hitherto unknown drawings amassed by Paul Alexandre before 1914; Royal Academy, Jan 14-April 4.

Claude: The Poetic Landscape; paintings and drawings at the National Gallery, Jan 26-April 10.

John Minton: English neo-Romantic who died too young; Royal College of Art, Jan 11-Feb 9.

Holbein & the Court of Henry VIII: the drawings in the Royal Collection at Windsor; National Portrait Gallery, Jan 21-April 17.

Picasso: Sculptor and Painter; a fundamental reconsideration of the relation between these two aspects of his work. Tate Gallery, Feb 16-May 8.

Medardo Rosso: influential but now largely unknown post-impressionist and symbolist sculptor; Whitechapel, Feb 25-April 24, then on to Edinburgh and Leeds.

Goya: cabinet pictures, sketches and miniatures – Goya at his most intimate, satirical and inventive; Royal Academy, March 17-June 12.

Zurbaran: Jacob and his 12 sons; a rare chance to see this remarkable series of full-length figures. National Gallery, March 9-May 22.

Dali – The Early Years: Hayward Gallery, March 3-May 30.

Matisse, Maillol, Rodin: monumental figurative sculpture; the Tate at Liverpool, from March 15.

Raphael: three works from the Bridgewater collection; National Gallery of Scotland, May 5-July 10.

Some Went Mad . . . Some Ran Away: Damian Hirst's pick of the young international avant-garde; Serpentine, May 4-June 5.

British Landscape Watercolours: Fitzwilliam Museum, Cambridge, May 17-Sept 4.

R.B.Kitaj: overdue retrospective of the work of one of the most intriguing figures in British figurative; Tate Gallery, June 15-Sept 14.

Bonnard at the Villa Bosquet: Bonnard bought his house in the South of France in 1927, and remained until his death in 1947; Hayward Gallery, June 23-Aug 29.

Constable's Drawings: an aspect of his work seldom considered; Dulwich Picture Gallery, July 13-Oct 16.

The Romantic Spirit in German Art 1790-1990: Scottish National Gallery of Modern Art, July 28-Sept 4, then to the Hayward in London.

Belgian Art 1880-1900: Impressionism & post-Impressionism – a national school of which we see too little; Royal Academy, July 7-Oct 20.

Franz Kline: a leading but under-shown abstract expressionist of the New York School of the 1950s; Whitechapel, July 8-Sept 11.

Monet to Matisse: landscape painting in France 1874-1914; National Gallery of Scotland, Edinburgh, Aug 11-Oct 23.

Barbara Hepworth: first full consideration of her work since 1968; Tate at Liverpool, Sept 14-Dec 4.

A Bitter Truth: Avant-Garde Art & the Great War: war-inspired work of international artists; Barbican, Sept 29-Dec 11.

The Glory of Venice: the 18th century and the Venice of Canalaletto, Guardi and, above all, of Tiepolo; Royal Academy, Sept 15-Dec 14.

James MacNeill Whistler: long-awaited study of one of the greatest painters of the European *fin-de-siècle*; Tate Gallery, Oct 12-Jan 8, then on to Paris and Washington.

Frank Dobson: an important modern British sculptor long over-shadowed by the fiercer reputation of Henry Moore, that now makes posthumous amends; Henry Moore Sculpture Institute, Leeds, Oct 4-Dec 20.

Theatre in Europe/**Jackie Wullschlager**

Sexy, daring and dramatic

A journalist once asked de Gaulle to name the three greatest European writers. "Dante, Goethe – and Chateaubriand", came the reply. "What! Not Shakespeare?" exclaimed the journalist. "But you asked for *European* writers", said de Gaulle.

It is that great divide which makes European theatre an exotic, heady experience for us English. It grows out of different roots; its future will be different. It is multicultural and multi-lingual. Keynotes are high stylisation, boldly revised texts, surreal, post-modern settings. Intellectual debate on stage is sexy, daring – dramatic gods are figures like Sartre and Brecht. The results can be dazzling, or dire.

Ironically, it is an American, director Bob Wilson, now working in Paris, who towers over Europe's stages. Wilson's genius is to turn tradition upside down, extracting the mythic essence of a piece through a contemporary, minimalist aesthetic all his own. Next year he fixes on two very traditional areas. In April, he stages Grimm's fairy tales in Munich; in June he directs two Noh operas in Florence. Both are tightly-controlled art forms, for which his brand of chill artifice – jagged sets; miming, cardboard characters; jangling tunes – offers exciting possibilities. Vintage Wilson – musicals *The Black Rider* (an update of *William Tell*), and *Alice in Wonderland* – will be revived at Hamburg's Thalia Theatre. Both mix high tech razzle-dazzle with nursery rhyme soulfulness, and confirm Wilson as a star entertainer.

In Europe, the musical, with its roots in cabaret and Brecht, has an intellectual respectability which attracts pioneering directors. In the 1980s, Germany's prophet of surreal aesthetics, Gunter Kramer, produced a legendary steel-and-neon *Threepenny Opera* at Cologne which influenced all subsequent productions. This New Year Cologne's extravaganza is Kramer's *Anatevka*, a radical revision of *Fiddler on the Roof*. The Vienna Burgtheater's New Year show is *The Caucasian Chalk Circle*, directed by veteran Brechtian Ruth Berghaus, with her hallmark of mechanised choreography and menacing cityscapes, to Paul Dessau's original music. In June, another former east German, Katharina Thalbach, offers *The Threepenny Opera* in Hamburg. East European influences now hold firm sway over western drama. Big daddy at the Burgtheater is Hungarian satirist George Tabori, who directs his own new play next month.

Highlight at the Comedie Francaise is Alexander Lang, formerly of the Berliner Ensemble, directing Kleist's *Prince of Homburg*. A good night at the Burg or the Comedie, the two oldest houses in Europe, is perfection. Across the Seine at the Odeon Theatre, the Russian season will be this theatre's most exciting foreign festival for years: watch for Lev Dodine's *Cherry Orchard* and Lluis Pasqual's doing Tsvetaeva's *The Phoenix*.

Too few foreign shows visit Britain, although Peter Brook's famed *L'homme qui*, about the psychology of madness, arrives from Paris in the spring.

Dance/**Clement Crisp**

Just avoid 'Swan Lake' at all costs

Looking forward into the year's dance, does not, alas, imply looking forward to it. Much looks predictable, and I cite only those dates that seem to be worth a diary entry. Please note that Irek Mukhamedov joins forces with Kim Brandstrup's Arc Dance troupe for a bold venture at Sadler's Wells (February 9 - 12) when he will appear in a new *Othello* that Brandstrup is to make for him.

Other Wells events include a "Spanish season" in March with Cristina Hoyos and then the Compania Nacional de Danza in two programmes by Nacho Duarto. At Covent Garden, *Mayerling* will be revived at the end of January, and again in March for two performances with Mukhamedov and Michael Nunn – both admirable as Archduke Rudolf. Birmingham Royal Ballet will come to Covent Garden in March/April with a triple bill including a new acquisition, *Fall River Legend*, Agnes de Mille's jolly old barnstormer about Lizzie Borden ("You can't chop your Momma up in Massachusetts, And then blame all the damage on the mice!"). Lizzie should turn her axe on the company's lamentable new *Sylvia*.

If you are in Paris in February, the Opera Garnier will present a fascinating Nijinsky programme which includes a "reconstruction" (optimistic term) of Nijinsky's *Tyl Eulenspiegel*, last seen for a handful of performances in New York in 1916, together with the "reconstruction" of his *Rite of Spring*. In March the Palais Garnier will also show a triple bill of brand new works by Roland Petit – good news – and in July the San Francisco Ballet will appear there with two programmes.

Meantime in New York, New York City Ballet will have its April/June season at the State Theater, and American Ballet Theatre will presumably pay its traditional visit to the Met in that annual across-the-Plaza rivalry with NYCB.

Good news from the Edinburgh Festival is that both Mark Morris and Merce Cunningham's troupes will be on offer with a large repertory. London ballet dates are unknown, though English National Ballet will play a week at the Coliseum (with its new *Sleeping Beauty*) and then on to the Festival Hall with *Beauty* and *Coppelia*.

One other thing is sure: somewhere, someone is going to rush in with *Swan Lake*. I remember in New York one lunch-time a decade ago finding the N.Y.Post front page devoted to a traffic-stopping headline of just eight letters: *Pope Shot*. I'm not at all sure nowadays whether *Swan Lake*'s eight letters are not more calculated to strike terror into the heart.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Aldo Ciccolini piano recital. Tomorrow: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra and Chorus in Beethoven's Ninth Symphony. Thurs: Gerd Albrecht conducts Royal Concertgebouw Orchestra in Debussy and Messiaen. Fri: Mark Wigglesworth conducts National Youth Orchestra in Prokofiev and Shostakovich, with piano soloist Peter Donohoe. Sat: Maria Joao Pires piano recital. Sun afternoon: Hans Vonk conducts Radio Philharmonic Orchestra in Varese, Takemitsu and Schoenberg, with pianist Paul Crossley (020-671 8345)

Muziektheater Tomorrow, Thurs, Fri: Frankfurt ballet in William Forsythe's The Loss of Small Detail. Jan 12: first night of Pierre Audi's new production of Mozart's Il re pastore (020-625 5455)

■ BASLE

Casino Thurs: Heinz Holliger conducts Basle Symphony Orchestra in works by Mozart and Mahler, with piano soloist Jean Louis Steuerman and soprano Ruth Ziesak (061-272 1176)

■ BRUSSELS

Palais des Beaux Arts David Shallon conducts Belgian National Orchestra on Thurs in a Richard Strauss programme, with vocal soloists Solveig Kringelborn and Dirk van Croonenborch. Raphael Ensemble plays Brahms string sextets next Mon (02-507 8200)

■ CHICAGO

CHICAGO SYMPHONY

The orchestra's chief conductor, Daniel Barenboim, is in residence for most of the next two months. Jan 6, 7, 8, 11: Scriabin's Piano Concerto (Dmitri Bashkirov) and Tchaikovsky's Fifth Symphony. Jan 13, 14, 15: Gidon Kremer plays Berg's Violin Concerto. Jan 18: Wagner and Bruckner. Jan 27, 28, 29, February 1: all-Mozart. February 10-15: Radu Lupu plays Beethoven. February 17: world premiere of new work by Elliott Carter (312-435 6666)

CHICAGO LYRIC OPERA

Il trovatore can be seen on Jan 7, 11, 15, 19 and 22 with a cast led by Lyubov Kazarnovskaya, Chris Merritt, Dolora Zajick and Paolo Gavanelli. Daniel Barenboim makes his Lyric Opera debut on Jan 24 conducting Wozzeck, in the production by Patrice Chéreau first seen in Paris (312-332 2244)

THEATRE

● The Rise and Fall of Little Voice: American premiere of Jim Cartwright's Olivier Award-winning drama about a young girl in northern England with an uncanny ability to imitate famous singers. Simon Curtis directs an American cast for Chicago's acclaimed Steppenwolf Theater Company (312-335 1650)

● Picasso at the Lapin Agile: world premiere of film comedian Steve Martin's first play, set in a turn-of-century Paris café, as 25-year old Albert Einstein locks wits with Pablo Picasso, aged 23. Till Jan 13 at Steppenwolf Studio Theatre (312-335 1650)

● Phantom of the Opera: check the season schedules of theatres throughout the country and you'll see why Andrew Lloyd Webber was voted the most important person in American theatre by Theaterweek magazine – his productions are everywhere. Till April at Auditorium Theatre (312-559 2900)

● Joseph and the Amazing Technicolour Dreamcoat: surprise! more Lloyd Webber. This production stars former teen heart-throb Donny Osmond as the Bible's flashiest dresser. In an open-ended run at Chicago Theatre (312-902 1500)

● Oleanna: David Mamet's two-hander about sexual harassment has become one of the most-produced plays in America. This production, directed by Michael Maggio, plays at the Wellington Theatre in an open-ended run (312-975 7171)

■ GENEVA

Grand Théâtre A ballet mixed bill, with choreographies by Ohad Naharin, Christopher Bruce and Jiri Kylian, opens on Sat and runs daily except Sun till Jan 15 (022-311 2311)

■ GHENT

de Vlaamse Opera Jan 6, 8, 11, 14, 16: Silvio Varviso conducts Robert Carsen's production of La boheme, with Mary Mills as Mimi (091-225 2425)

■ SALZBURG

MOZARTWOCHE

A Mozart festival takes place from Jan 21 to 31, with orchestral concerts featuring Concerto Köln, the Mozarteum Orchestra and the Vienna Philharmonic. Andras Schiff will give two recitals and take part in two chamber music performances. The Hagen Quartet will give the world premiere of a new work by Gyorgy Kurtag (tel 0662-873154 fax 0662 872996)

■ VIENNA

Staatsoper Tonight, Thurs: Nutcracker. Tomorrow, next Tues: La traviata with Julia Varady. Fri, next Mon: Les Contes d'Hoffmann with Domingo. Sat: Die Zauberflöte. Sun: Salome. Jan 13, 16, 19, 22: Samuel Ramey sings Boris Godunov. Jan 23, 27 30: Colin Davis conducts Idomeneo, with Siegfried Jerusalem and Anne Sofie von Otter (51444 2955)

Musikverein Sat, Sun: Isaac Karabtchevsky conducts Tonkünstler Orchestra in Glinka, Chopin, Barber and Strauss, with piano soloist Hitomi Unoki. Next Tues: Lynn Harrell cello recital. Jan 14, 15, 16: Bernard Haitink conducts Vienna Philharmonic. Jan 24-27: Philharmonia/Sinopoli Mahler cycle (505 8190)

Konzerthaus Sun: Anne Sofie von Otter, accompanied by Melvyn Tan, sings Lieder by Schubert, Mozart and Haydn. Jan 12: Francisco Araiza song recital. Jan 15-23: festival of 16th century music (712 1211)

■ WASHINGTON

MUSIC

● Washington Opera's repertory this month at Eisenhower Theater features La fille du régiment (sung in English), Ariadne auf Naxos and the world premiere of Dominick Argento's The Dream of Valentino (202-467 4600)

● Music by 14th century French composer Guillaume de Machaut can be heard at Washington National Cathedral on Fri and Sat, featuring Philadelphia Renaissance Wind Band and vocal soloists (202-544 7077)

● David Zinman conducts Baltimore Symphony Orchestra in works by Michael Daugherty, Ravel and Rakhmaninov on Thurs and Fri at Baltimore's Joseph Meyerhoff Symphony Hall, with piano soloist Leon Fleisher (410-783 8000)

● Dave Brubeck joins National Symphony Orchestra for two evenings of classic jazz in Kennedy Center Concert Hall on Thurs and Fri (202-467 4600)

● This week's programme at Barns of Wolf Trap features jazz singer Clarence Gatemouth Brown and band on Fri and singer/songwriter Jonathan Edwards on Sat (703-218 6500)

THEATRE

● The Will Rogers Follies: the Tony Award-winning musical, choreographed by Tommy Tune, runs daily except Mon till Jan 30 (Kennedy Center Opera House 202-467 4600)

● The Price: Arthur Miller story of family facing price of life's choices, Joe Dowling directed, till Feb 27 (Arena Stage 202-488 3300)

● Das Barbecu: Scott Warrender and Jim Luigs country and western musical based on tale of Siegfried and Brunnhilde in Wagner's Ring. Opens Fri, Baltimore's Center Stage (410-332 0033)

■ ZURICH

Opernhaus Tonight, Fri: Bernd Bienert's production of Glazunov's ballet Raymonda. Tomorrow, Sat: Manfred Honeck conducts Hans Hollmann's new production of Andrea Chenier, with Gabriela Benackova, Francisco Araiza and Giorgio Zancanaro. Thurs and Sun: Salome with Inga Nielsen. Sun afternoon, Mon evening: Georges Prêtre conducts Verdi's Requiem. Jan 17: Olaf Bär song recital. Jan 19: revival of Lucia di lammermoor with Edita Gruberova (01-262 0909)

Tonhalle Tomorrow: Peter Eidenbenz conducts Tonhalle Orchestra and Zurich Bach Choir in Britten's War Requiem. Thurs: Auryn Quartet plays string quartets by Mozart, Schnittke and Beethoven (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
Super Channel: European Business Today 2230; repeated 0630, 0715
MONDAY
Super Channel: FT Reports 1230.
TUESDAY
Super Channel: West of Moscow 1230
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345
WEDNESDAY
Super Channel: FT Reports 1230
THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Forecast 94

The UK economy will continue to grow, writes Tim Congdon

A rich harvest

The UK economy is like the little girl in the nursery rhyme. When conditions are bad, they are horrid; and when they are good, they are very good.

The historical record shows that low inflation and interest rates coincide with rapid growth of output and employment; and high inflation and interest rates are associated *with slow growth or even falls* in output and employment. Good figures for "real" and "financial" variables tend to be bunched at the same time – as, too, do poor figures for both types of variable.

The latest boom-bust cycle has illustrated the pattern to perfection. In 1987 and 1988 non-oil output grew by more than 4 per cent a year, while the annual rate of retail inflation remained at about 5 per cent until mid-1988. By contrast, in 1990 output went up by ½ per cent and in 1991 it fell by more than 2 per cent, but inflation was more than 7 per cent and in late 1990 it peaked at more than 10 per cent.

At first glance, this is rather strange. Common sense tells us that inflation ought to be worst when demand is strong, not when the economy is growing at an above-average rate, while inflation ought to be low when demand is depressed. The real variables ought to be good when the financial variables are bad, and vice versa.

Does not the actual experience of the economy – that real and financial variables are *good and bad together – seem* anomalous? Don't the facts contradict common sense? Isn't there a puzzle here?

Actually there is no puzzle. The economy's behaviour is fully consistent – with both common sense and economic theory. The vital distinction is between *levels* and *rates of change*, and the key to understanding is to recognise that the direction of inflation depends not on the rate of change of output (relative to trend) but on the level of output (also, relative to trend).

Consider the economic situation in late 1989. Output had grown continuously since mid-1981 and, for three years – 1986, 1987 and 1988 – it had grown above the long-run sustainable rate. As a result, the level of output was higher than the trend figure, perhaps by as much 4 per cent.

The economy was over-stretched. Companies found it difficult to find workers with the right skills at the right price, machinery was being fully utilised and commercial property was in short supply. So pay and price rises were *accelerating, and rents soared* by 30-40 per cent a year.

The government's agenda was plainly to curb demand and to bring the level of output back towards its trend. But one year of slow growth was not sufficient. Although the ½ per cent output growth in 1990 was 2 per cent beneath the trend rate of change, it still left the level of output 2 per cent above trend in late 1990.

Inflation was therefore still rising at that time. Only with the sharp drop in output in 1991 was enough spare capac*ity created in the economy for* inflation to start falling. The year from mid-1990 to mid-1991 saw the combination of the highest inflation in a decade, a slump in output and a steep climb in unemployment. The economic situation was horrid.

What does this analysis imply for 1994 and, by extension, for the mid-1990s? The answer is that 1994 and the mid-1990s should be a complete contrast to the miseries of the recession from which we are now emerging. They could be the best years for the British economy since the 1960s.

The rationale for forecasting a benign phase of the cycle is similar to our description of the last recession, except that the argument runs in reverse. Whereas in late 1989 the level of output in the economy was 4 per cent above trend, in early 1993 it was at least 4 per cent beneath trend. Logically the excess of trend output over actual output was associated with strong downward pressure on inflation. By late 1993 the figures for the 12-*month change in retail prices* were the lowest for 30 years.

Demand and output grew in 1993, possibly by more than 2 per cent. But this was not an above-trend figure for the *rate of change*. So in early 1994 the *level* of output will still be 4 per cent beneath trend and inflation will continue to decline. Indeed the only way to stop inflation falling yet further is to boost the level of output to the trend figure, which implies that the rate of change of output has for a time to be well above trend.

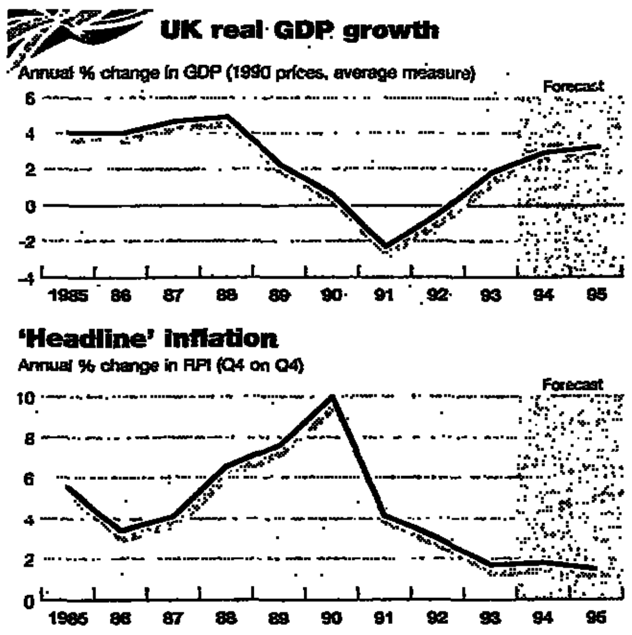
Thus growth in 1994 and 1995 of 4½ per cent in each year (that is, 2 per cent above the *2½ per cent trend for two con*secutive years) would eliminate the excess of trend output over actual. If rapid growth persisted in 1996, this might reignite inflationary pressures from early 1996 onwards. However, it is much more plausible that growth in 1994 and 1995 *will be only a touch above* trend at, say, 3 or 3½ per cent. The level of output would then still be beneath trend in early 1996. Incredible though it may sound, inflationary pressures ought to go on weakening in 1994, 1995 and 1996.

The latest news on inflation *and growth has, in fact*, been much better than generally expected. Not only has inflation tumbled to low levels, but output and employment have made solid gains in recent quarters. The provisional national accounts statistics indicate that gross domestic product rose by a little above ½ per cent in the third quarter. But separate data on employment show that the workforce in the service sector soared by the astonishing figure of 149,000, or by 1 per cent (that is, by an annualised 4 per cent).

Part of the explanation may be the buoyancy in City financial services, connected with surging turnover in foreign exchange and bond trading, and high prices in bond and equity markets. With the latest surveys from the Confedera*tion of British Industry sug*gesting that demand and output in manufacturing is satisfactory, the economy as a whole may be expanding at slightly above trend.

The year ahead is starting on the right note – in spite of the adverse effect on spending power of the tax increases announced in the two Budgets of 1993, and in spite of the continuing recession on the Continent. The mid-1990s may prove to be not just good, but very good for the UK economy. For the next two or three years *inflation comfortably within* the official 1-4 per cent range can be reconciled with above-trend growth and falling unemployment.

The author is managing director of Lombard Street Research, an economic forecasting consultancy, and a member of the Treasury panel of independent forecasters



Source: Datastream, Prof. Tim Congdon

Forecast 94

Locomotive out of puff

US economic growth will slow down, says Robert Giordano

US economic growth accelerated substantially in the second half of 1993. From less than a 1.5 percentage point *annual pace* in the first six months, real gross domestic product growth jumped to an estimated 3.5 per cent, and an even stronger rate in the fourth quarter. Hopes are high that the economy has finally moved on to a path of consistently higher growth and job creation. The reality in 1994, however, is more likely to be *déjà vu*. As with earlier intermittent periods of accelerated expansion, such as the second half of 1992, this one should also prove transitory, despite the drop in long-term interest *rates in the summer*.

Resurgent growth never lasted earlier in this upturn because its source was short-lived, and the factors restraining the economy never dissipated. Growth seems likely to slow again for the same reasons. The recent spurt *is being driven by a once-only*-return of vehicle inventories to desired levels and an unrepeatable sharp drop in the household saving rate.

At the same time, a poor trade balance is a drag on growth, structural factors are suppressing the economy's spirit, and policy is barely stimulative.

The surge in vehicle output and its spillover will account for about half the growth in fourth-quarter GDP. But production glitches and excessive industry caution kept output *below rising sales in the sum*mer of 1993. Without these influences, the production surge would have been more evenly spaced.

Households will be unable to sustain their consumption binge because it cannot be financed. Outlays have been rising at a 4 per cent annual clip since early 1993 while real disposable income growth averaged only 2.5 per cent.

To keep up this spending spree, either employment gains must rise to 350,000 per month to generate income growth, or *the household saving rate* must fall by another 1½ percentage points to about 2 per cent. Yet companies are keeping a firm rein on head count, and stock and bond prices would have to rise by another 15 to 20 per cent over the year to justify such a negligible savings rate. By late winter, vehicle assemblies will be synchronised with sales, and consumer expenditures should be more in line with income. Thus, by the second half of 1994, economic growth should return to the slower trend implied by three fundamentals.

First, foreign trade prospects look bleak, despite completion of the Uruguay Round. A deteriorating trade balance has restrained growth and should do so in coming months. US exports are still cheap, but not as cheap as they have been over the past few years, because the dollar's effective exchange rate appreciated 3 per cent last year. Moreover, even if the price is right, demand in industrial countries is stagnant, with little chance of improvement before late 1994. Export expansion will *thus be weaker than the 8 per* cent rise over the past 12 months. Meanwhile, import penetration is rising as domestic demand leaks abroad. Since the US is the only economy expanding with gusto, foreign companies will push for US market share.

Second, the economy is still adjusting to structural changes that have helped consign the US to a slow, bumpy growth course. Corporate restructuring is most commonly mentioned. It has short-circuited the interplay of employment and income so crucial for eco*nomic expansion*.

Moreover, the 30 per cent reduction in the rate of household formations since the early 1980s to about 1m annually, together with an excess of apartments, is dampening the response of housing construction to lower interest rates. Housing starts already exceed the rate that would be consistent with the underlying demand for living space, so the likelihood of much further expansion is low. Finally, the private sector's adjustment to defence cuts is incomplete, and future military retrenchment will be even deeper under the latest budget cuts.

Third, monetary and fiscal policy are only marginally accommodating, and less so than required to elevate underlying growth to a sustainably higher plain. Tax rises and spending restraint in the next year are genuine. The structural deficit relative to GDP should fall by at least 0.5 per cent in fiscal 1994. In addition, the freeze on nominal discretionary spending will produce significant real reductions in these outlays over the next year at least.

With fiscal tightening and structural adjustments, neither a zero real cost of short-term money nor double-digit growth in the monetary base should be seen as evidence of significant monetary policy stimulus. Real short-term interest rates are closer to their cyclical equilibrium than policymakers fear.

Moreover, inflation-adjusted short-term rates understate the true level of real financing costs for households and businesses. They pay less than they did five years ago when the cost of all their forms of borrowing is considered, but two to three times more than in earlier expansions.

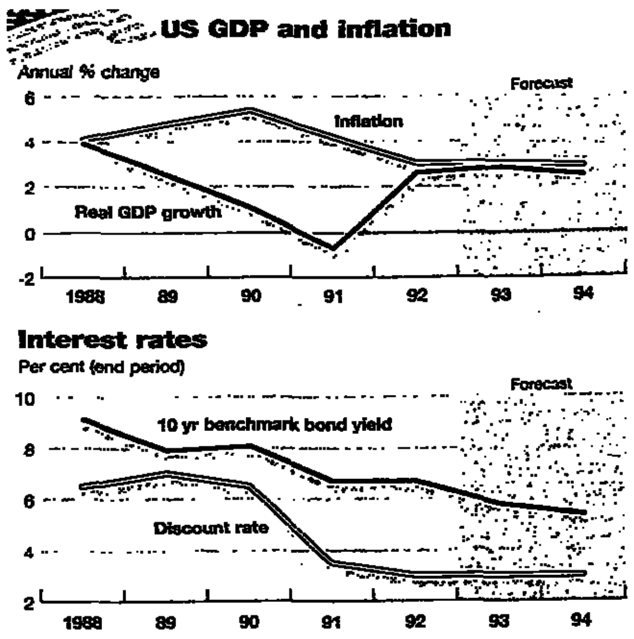
Similarly, rapid growth in the monetary base is misleading. Its spurt in recent years has been due to changes in the private sector's portfolio preferences, not to the central bank's creation of excess liquidity. It also has not led to high growth in bank loan demand. Thus it would be surprising to see materially higher growth than the 2.5 per cent average so far in this recovery.

There should be no economic need for the Federal Reserve to put up interest rates before autumn, and then, initially, by only 50 basis points or so. A pre-emptive anti-inflation tightening seems unwarranted and unlikely. Excess capacity should be sufficient to keep inflation low for another year.

Even if growth averaged 4 per cent in 1994, it would probably take more than a year before actual GDP reached or exceeded its potential level. Barring shocks, inflation should stay in the 2.5 to 3 per cent range, if not lower. Hence, monetary policymakers will have time to react before the economy hits its inflation trip wire. If the Fed raises interest rates soon, the rise would have to be small to stick, and be followed by another extended period of stability.

Economic officials in other industrial countries have been counting on the US to be the world's locomotive for growth. For nearly three years, however, they have waited in vain; in 1994, they are likely to be disappointed again.

The author is director of economic research at Goldman Sachs, the US investment house



Source: Goldman Sachs

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Business backs unitary local government

From Mr Phillip G Yuill.

Sir, Your leading article on local government reorganisation ("Local difficulties", December 22), claims that "business leaders have... reacted with horror to plans to create small single-tier authorities".

I am chairman of the Yuill *Group of Companies*, a construction group with a turnover of more than £50m and Cleveland's third-largest independent business. My company welcomes the recommendation of the Local Government Commission to create four unitary all-purpose authorities in Cleveland and, as a director of the Teesside Training and Enterprise Council, I know that this view is shared by many of my business colleagues in this area.

Such opposition as exists to the commission's recommendation comes mainly from small groups within the local branch of the Confederation of British Industry and the Teesside Chamber of Commerce which, *together, represent less than 20* per cent of local businesses.

Set against this, 400 letters of support for unitary district government have been sent to the commission by individual local businesses.

In addition, the commission's recommendation has been endorsed by key business agencies, including the Teesside Development Corporation, the Teesside Training and Enterprise Council and the northern branch of the House-Builders Federation.

This support is not surprising when you consider that the four existing district councils in Cleveland have an excellent track record of working in partnership with local businesses, *for example through* the City Challenge Initiative. The enthusiasm and support for an extension of the partnership between council and private sectors was clearly in evidence at the recent launch of the Tees Valley Development Company, which is a joint district council/private sector initiative aimed at providing a focus for inward investment and job creation. More than 120 business leaders attended the event on a bitterly cold, foggy morning.

The people of Cleveland have made very clear their support for unitary district local government. The misconception that this view is not shared by the business community owes more to a concerted misrepresentation of the facts by those who have a vested interest in influencing the debate. It needs to be corrected.

Phillip G Yuill,
executive chairman,
Yuill Group,
Cecil House,
Loyalty Road,
Hartlepool,
Cleveland TS25 5BD

Borrowing may not be indicator of growth

From Mr Brian Warnes.

Your report, "Recovery hopes dented by weak bank lending" (December 21) may contain a possibly erroneous assumption: that increased lending to companies must imply increased growth, and *per contra*.

Companies have been so badly burdened by debt in the late 1980s that many are vowing "never again" to resort to bank borrowing, at least on a substantial scale.

This need not mean that they are starved of funds, merely that they get them from a different source. Given the greater sophistication that recession has (commendably) forced on them, their most readily available sources of course are increased (retained) profits and better control of working capital. Companies can "bootstrap" growth without resorting to former levels of borrowing.

Restricted borrowing does *not* therefore necessarily mean restricted growth and it may be quite wrong to draw such an, inevitably pessimistic, conclusion.

Brian Warnes,
managing director,
Business Dynamics,
13 Blackheath Village,
London SE3 9LA

Reality of Edouard Balladur's France

From Mr Ian Furnivall.

Sir, I note with some surprise your choice of Mr Edouard Balladur as the FT's "Man of the Year" ("Sang froid in the heat of battle", December 31).

May one presume that your editorial staff have little experience of living in France? That not too many members of your staff have felt directly the effects of what is probably the most inappropriate monetary policy dreamt up by a postwar European government? Not too many friends or relatives among the 3.3m unemployed? Not much contact with the 5,300 businesses a month which have failed as business investment last year collapsed to its lowest level since the official Insee state statistics institute records began?

Is it safe to suppose that relatively few of your editorial staff have a current account with the state-owned Crédit Lyonnais, insure their homes with the state-owned insurance companies, or that you equip your offices with the technology supplied by the nationalised Bull?

Is it your view that the restructuring of burgeoning state bureaucracies such as Air France should be sacrificed, in your own words, because "one crisis at a time was enough" and it was more politic at the time to keep the riotous farmers off the streets?

Finally, would your editorial team feel so well disposed towards the French prime minister were its members taxed at the top French marginal rate or 56.8 per cent?

Ian Furnivall,
16 rue Charles Bémont,
78290 Croissy-s-Seine,
France.

A programme for Russia's revival

From Mr Jeff Schubert.

Sir, Debate about the appropriate economic policy for Russia will continue in 1994. As an economist and businessman, I spent a large proportion of 1992 and 1993 in Russia and would make several points.

First, high and variable inflation is certainly a problem but has not been as instrumental in keeping foreign investors away (including from the privatisation process) as political instability and lack of progress in commercial legislation and administration.

Second, there is need for great caution in significantly tightening macro-economic policy in rapid pursuit of very low inflation. The high level of debt leverage and low level of "marketisation" of the economy increases the risk of further large falls in production. Very tight macro policies also deny producers the financial resources, the market demand, and the time needed to undertake structural change.

Third, the experience of other countries offers little support to those who seek to "shock" Russia into low inflation. Despite its high level of "marketisation", the New Zealand economy stagnated in the second half of the 1980s while the rest of the world grew because a tight macro-economic policy and the after-effects of excessive debt leverage offset the positive effects of a generally excellent structural reform programme.

Poland began its reform programme with a much less market-orientated economy than New Zealand and consequently found it much more difficult. Russia, however, *is even fur*ther behind, so any eventual successes in Poland will not be easily repeated.

As for Ukraine, it may be that very tight monetary and budgetary policies would have made things even worse. That country's problems stem from it being an *energy importer* at increasing prices, the loss of experience in dealing with itself and the world, which came with its separation from Moscow, and the almost complete lack of micro-economic reform.

Jeff Schubert,
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FINANCIAL TIMES

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Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday January 4 1994

A resumption of history

When leaders of the North Atlantic Treaty Organisation gather for their summit in Brussels next Monday, they will have to work hard to make up for lost time. Four years have passed since the end of the cold war division of Europe. In that time, an important part of the former Soviet bloc has made giant strides towards democracy and market reform, while another part has slid towards fragmentation, political demagoguery and civil strife.

Yet the western alliance has thus far seemed curiously unequal to the challenges and opportunities thrown up by the rapidly changing map of Europe. The Brussels meeting offers an opportunity to begin the task of renewing Nato's sense of purpose.

The leaders need to map out a strategy both to consolidate the advances of the last four years and to guard against possible dangers in the future. If they fail, they will be condemning eastern Europe to a security vacuum that could easily invite a resumption of old European power games.

The spectre at the summit is Russia, and in particular the strong showing in its recent parliamentary elections by the neo-fascist party of Vladimir Zhirinovsky. Is President Boris Yeltsin now strong enough to pursue economic reforms that will offer tangible benefits by the next presidential election? Or will he continue to mark time, and thus condemn himself to fail?

The countries of central Europe – most clamorously Poland, the Czech and Slovak republics and Hungary – are too anxious to wait for the answer. Fearful of a reawakened Russian imperial urge, they want Nato to give them immediate membership and extend to them its security guarantee.

So far, Nato has prevaricated, offering all the countries of the former Soviet Union and Warsaw Pact uniform and much looser association accords – first in the so-called North Atlantic Co-operation Council, now in a not dissimilar arrangement which President Bill Clinton has christened "Partnership for Peace".

Buy time

The prevarication is understandable. It is based in part on Mr Clinton's no doubt correct calculation that Congress would baulk at any precipitate move to extend the US defence umbrella to the east. It seeks to buy time while Nato and its would-be new entrants think hard about the scope of the alliance, and while events in Russia take their course. And it is an attempt to duck the awkward questions – how far east? what about the Baltics? what about Ukraine? – that the task of selecting new Nato members would throw up.

None of these matters can be taken lightly. Nato could do nothing worse than extend its security guarantee without the ability to implement it if necessary. Nor is membership a panacea for central Europe, whose short to medium-term fortunes depend more on being able to trade freely with the west than on sheltering under Nato's nuclear umbrella.

But prevarication is still not enough. What is needed is a more hard-headed assessment of the prospects for success in Russia and the broader consequences of failure. What is needed, too, is a more differentiated approach to Nato's eastern supplicants: one that offers countries that fit the bill a real prospect of joining when the time is right.

Great opportunity

Without such an approach, Nato will be a contradiction in terms: in effect telling the east Europeans they have little to fear from Russia, while insisting on its own continued need for collective protection against a Russian threat. It will also be missing the greatest opportunity since the second world war to consolidate and enlarge the realm of freedom in Europe.

Certainly, a reforming Russia is still the main prize. If Mr Yeltsin allows a market economy and democracy to take root, then European security will be assured, and in the long term Nato will not need to exist. And it remains possible that he will succeed. Mr Zhirinovsky's forces are still outnumbered by pro-reform parties. So the west should focus its efforts on convincing Mr Yeltsin that continued reform is his only hope, and on helping to shore up other forces that support it.

This has a bearing on current Nato policy. For it is clear that an immediate offer of membership for the central European countries would be seen in Russia as a devastating rebuff for those who favour closer ties with the west, and a commensurate boost for the xenophobes. It would be unfortunate if in extending its guarantee against a possible Russian threat, Nato helped create a self-fulfilling prophecy.

A sensible approach for Nato would lie somewhere between the woolly "Partnerships for Peace" proposal and immediate central European membership. It would involve a reaffirmation of Nato's desire to intensify military co-operation with Russia; a clear statement of the criteria for membership (fully democratic political system, market economy, wide support for both among the populace); and confirmation that the alliance will at some point in the future be open to new members in central and eastern Europe. Finally, it would entail a solemn proclamation that Nato will make contingency plans to admit those applicants that meet the criteria immediately in the event that the nightmare of an expansionist Russia were to return. That way, the alliance would be working for the best, while simultaneously preparing for the worst.

Diversify and die

These are hard times for conglomerates. The leading UK examples of the form all underperformed the stock market last year, while Imperial Chemical Industries broke itself up on the grounds that it had become too like a conglomerate to be manageable. Italy's giant state holding company, IRI, said one reason for being privatised was that the conglomerate principle was outdated.

The argument falls under two main headings. First, as ICI observed, technology is becoming ever more sophisticated and fast-moving. As a result, it becomes increasingly hard to make informed choices on investment across different industries.

This may be why many companies which might once have qualified as conglomerates have in recent years chosen to narrow their focus. In the UK, even the remaining true conglomerates like Hanson and BTR have stuck to relatively low-tech industries. The last old-style conglomerate bid battle in the UK, between Hanson and Tomkins, was for a manufacturer of sliced bread.

The second part of the argument might be termed evolutionary. In the developed world, conglomerates are out of fashion. In developing countries, the reverse is the case. In many Asian countries, large chunks of the local economies are controlled by private conglomerates. In a transitional economy like South Korea, the landscape is still dominated by vast and sprawling groups such as Samsung and Hyundai.

At the same time, such companies are increasingly criticised in Korea as having outlived their usefulness. In short, runs the argument, conglomerates work best at a certain stage of economic development. When growth rates are high and management talents scarce, it makes sense for those who have the skills to spread themselves widely. The more mature and sophisticated the economy becomes, the greater the need for specialisation.

So far, so good. Yet 1993 was also the year when the title of America's largest company by market value was decisively claimed by a conglomerate, General Electric. On the face of it, this is all wrong. America is the world's most advanced economy and it is stuffed with large, specialised companies.

GE is no low-tech company. To be sure, it is exceptionally well-run, and its chairman, Mr Jack Welch, is perhaps the most admired manager in America. But the exception need not prove the rule; and it is striking that GE defends its conglomerate status in terms which in other quarters became unfashionable a decade ago. Conglomerates have a breadth of experience and talent: and above all, they operate in different business cycles, so that one business can balance out another.

As the past year has shown, specialisation is not without its risks. The pharmaceutical industry, hitherto a model of high-tech focus, has scrambled to diversify in the face of the administration's attack on healthcare costs. In the UK, specialist food retailers such as Sainsbury and Tesco have seen their share prices weaken in the face of low-cost competition.

The old-style conglomerate is probably on its way out. But managers should not come to believe uncritically that a focused business is necessarily a safe one. As Mark Twain observed, having all your eggs in one basket may be no bad thing: but you had better watch that basket.

FT writers identify the faces to watch in '94, as Europe's political leaders face bruising election battles

Contenders in the main events

School of '94: (from left) Wolfgang Schäuble, Silvio Berlusconi, Karel Van Miert, Ingvar Carlsson, Rudolf Scharping

A nomination as a front runner for high political office can become a poisoned chalice: it alerts opponents and can cause expectations to become inflated. But if 1993 was the year in which faith in European political leaders slumped, this year offers a plethora of chances for unseating incumbents across the continent.

There are important elections in Germany, Italy, eastern Europe and the Nordic countries, and the run-up to the 1995 French presidential election begins in earnest. Where there are no elections, the ebb and flow of public opinion offer the chance for new faces to emerge; upsets of the established order are probable.

● Germany, for instance, could have a new chancellor if Helmut Kohl cannot turn around his Christian Democratic Union's waning fortunes by the general elections in October. The man most likely to succeed is the cautious, sober, neatly bearded Rudolf Scharping of the Social Democratic party.

First, however, Scharping has to prove to his party, and the electorate, that it is an organisation "fit for government". Eleven years in opposition have given the SPD the image of a collection of squabbling preachers and academics, more inclined to philosophical disputes than questions of power politics.

Since he became party leader last June, 46-year-old Scharping has moved swiftly to build the necessary pragmatic platform from which to launch his bid for power.

Whether or not Scharping succeeds, the other German politician likely to cut a new dash this year is Wolfgang Schäuble, the wheelchair-bound parliamentary leader of the CDU, and the crown prince in the ruling party. The only question is whether he has the physical strength to take on the top job, since he was partially paralysed in an assassination attempt in 1990.

Schäuble is the consummate politician: quick-thinking, articulate, ruthless in debate and in negotiation, and yet charming. Sometimes he seems like the fast-talking second in the boxing ring, whispering tactics into the ear of his lumbering heavyweight champion, Kohl.

● In France, the same old cast of politicians threatens to dominate television screens and newspapers. Fighting to carry the conservative colours into the presidential election will be Jacques Chirac, mayor of Paris and leader of the RPR Gaullists, Prime Minister Edouard Balladur and ex-President Valéry Giscard d'Estaing. On the left, Michel Rocard has no real rival to carry the standard of his depleted Socialist party into the presidential election, with one exception – Jacques Delors, the European Commission president.

But younger French politicians will be jockeying to establish themselves as possible prime ministers in 1995 and/or contenders for the presidency in 2002. One to watch is Alain Juppé, the 48-year-old foreign minister who is also the RPR's secretary-general. He played a crucial part in France's international and domestic negotiations on Gatt. Long close to Chirac, he is now indispensable to Balladur.

Gérard Longuet, the vigorous, 47-year-old trade and industry minister, leads the Republican party, the UDF's largest single component, and might make a suitable coalition prime minister under a President Balladur. Also striving to make his mark will be Nicolas Sarkozy, the 38-year-old budget minister and government spokesman. Extremely close to Balladur, he has become the prime minister's medium for controlling economic policy and his principal spin-doctor.

● It is the left that looks likely to make the running in Italy. Achille Occhetto, leader of the party of the Democratic Left (PDS), starts the year well ahead of the political field. With early general elections almost certain in March, the moustachioed former communist turned social democrat is set to head a broad "progressive" coalition. The PDS has inherited the formidable organisation of the old Italian Communist party (PCI) and has formed a series of highly effective alliances at local level. If this can be repeated at national level, Occhetto stands a good chance of being the next prime minister, if not a leading element in the next government.

Other Italian politicians have been slow to realise the need under new electoral laws to mould alliances among the fragmented parties. But media magnate Silvio Berlusconi sees himself as a catalyst for a coalition built from Italy's dismembered centre and on the right. In November Berlusconi voiced his ambition to forge a coalition to block the PDS's rise to power. He must now decide whether he continues to shout from the sidelines or crosses the Rubicon from business to politics by forming his own party.

● Elections to the European Parliament in June are likely to bring a fillip for prominent leftwingers. Elisabeth Guigou, the former French minister for European affairs, is relaunching her political career with a bid to enter the parliament under the socialist flag. She seems assured of a seat, and could be one of several women taking their place on the Strasbourg/Brussels benches, including Glenys Kinnock, wife of the former British Labour party leader.

At the European Commission, Jacques Delors is expected to serve out his term as president until December. But Karel Van Miert, the Belgian commissioner responsible for competition policy and state aid, is forecast to raise his profile. Popular inside the Commission, he has taken a less rumbustious attitude to his job than his predecessor, Sir Leon Brittan. But he is quietly proficient and handled the steel crisis last year with aplomb, even if the final solution was less tough than he would have liked.

In contrast, the tendency of Theodoros Pangalos, the Greek foreign minister, to shoot from the lip has landed him in trouble. He called Germany "a bestial giant with a child's brain" because of its desire to open diplomatic ties with Macedonia, while the British press had "an almost racist tendency" to portray Greeks as mindless hedonists.

● In central Europe, three young, ambitious politicians, two of them with a communist past, will be aiming for the political big-time.

Alexander Kwasniewski, the 39-year-old leader of Poland's Democratic Left Alliance (SLD), came a long way in 1993, when his coalition of 21 leftwing political groups became the largest political party in the new parliament after September's elections. This year Kwasniewski is expected to lock horns with President Lech Walesa, challenging the latter's control over the three vital ministries of the interior, foreign affairs and defence, and positioning himself for the big prize – the presidency of Poland – which is up for grabs in 1995.

In Slovakia, Mr Petr Weiss, the Slovak equivalent of Mr Kwasniewski, is preparing for a similar challenge to Mr Vladimir Meciar, the introverted, unpredictable prime minister who led Slovakia to independence but gives the impression of having little idea of how to create a modern, democratic state in a region fraught with ethnic rivalries.

But it is in Hungary, where voters go to the polls in May, that the challenge to the region's communist past is greatest. Viktor Orban, one of the most impressive of the younger generation of politicians, dreams of lifting Hungary free from its communist history by bringing in a new generation of political leaders. Prime Minister Peter Boross – who replaced Jozsef Antall, the veteran Democratic Forum leader who died before Christmas – is 65; Orban, the leader of Fidesz, the youth party, is not yet 30.

● At the opposite end of the age scale, the man who took over as Swedish prime minister when Olof Palme was assassinated by a still-unknown gunman in 1986 could be back in office by the end of 1994. Ingvar Carlsson, 59, leader of Sweden's venerable Social Democrats, survived the party's worst election defeat in more than 60 years in 1991 and will spearhead its attempt to unseat Prime Minister Carl Bildt's right-centre coalition in a general election due in September.

Mr Carlsson insists the ideological pendulum is swinging the Social Democratic way again after three tough years of recession.

In neighbouring Finland, Martti Ahtisaari, a bluff United Nations diplomat whose main attraction is his lack of political baggage, should be the country's president by the end of February. Although he has slipped in the opinion polls, Mr Ahtisaari, who led the UN operation that brought independence to Namibia, is still favourite to win the presidential election. The first round is on January 16.

As an enthusiastic advocate of Finland's application to join the EU, Mr Ahtisaari is set to play a prominent role in persuading the country to back membership in a referendum expected before the end of the year. The task should be made easier by the rise of the far right in neighbouring Russia, which has made the EU's embrace seem much warmer than before.

Reports by Quentin Peel, David Buchan, Lionel Barber, Robert Graham, Hugh Carnegy and Anthony Robinson

Dolls make their way to the market

Judy Dempsey on reforms at east German toy factories

Until unification, there were few children in east Germany who did not want a toy made in Sonneberg. The small town, tucked away in southern Thuringia close to the borders of Bavaria and the Czech Republic, was renowned for its craftsmanship and its century-old tradition of making soft dolls and hand-carved wooden toys.

But German children only got one in 10 of the toys – 90 per cent of Sonneberg's output was exported to the Soviet Union, eastern Europe and European Union countries. Ms Connie Rudat, a 33-year-old office manager with a nine-year-old son, says when she was a child, she always asked for a Sonneberg doll, or a "Sonni Puppe" as they were known, for her birthday. "They had lovely clothes. At the same time, the dolls were simple and old-fashioned," she says.

Until 1990, the clothes of the hand-painted dolls were made by women working at home, on contract. "Before the Wall came down, almost the entire 30,000 population of Sonneberg was connected with the toy industry," says Ms Gundrin Hentschel, 40, responsible for production at the Sonni Puppen und Spieltiere factory, the town's largest manufacturer of soft toys and traditional dolls.

In those days of a divided Germany, factory managers had little need to think about costs or marketing. The toy industry was state-controlled. Subsidies were plentiful, orders from the east abundant. But like other industries in east Germany, Sonni Puppen could not escape the impact of unification and the collapse of its main buyers, the Soviet Union and eastern Europe. Thuringia's dolls were confronted by the market.

In late 1990, east Germany's toy industry was placed under the Treuhand privatisation agency, which spent more than two years working on a restructuring strategy for Sonni Puppen and two other factories at Sonneberg. Mr Siegfried Sörgel, employed by the agency for the task, originally planned to amalgamate the factories and privatise them en bloc. There were few takers.

"The toy industry is a tough business. It was impossible to find a buyer for the whole lot," he says. The Treuhand finally abandoned its plan and sold the factories separately – but not before it had cut the combined workforce of the three from 5,000 to 233 employees, and accumulated losses and provided subsidies totalling DM30m (£11.7m).

Sonni Puppen's own payroll has been reduced from 1,800 to 65, and its output, which before 1989 totalled 10,000 dolls and 5,000 soft toys a day, has been cut to 30,000 items a month. Mr Peter Bieber, who with two partners from Nürnberg last month bought Sonni Puppen from the Treuhand, is determined to make the factory a success. "My priority is to keep costs down," he says. To do this, some of the dolls' clothes are being made across the border in the Czech Republic. "Labour costs are DM4.50 an hour in the Czech Republic compared with DM30 at the factory," says Mr Bieber. "I reckon I am cutting costs by about 20 per cent."

Ms Hentschel says: "If it means we can become competitive, not only in western Germany, but in other European countries by using cheaper labour in the Czech Republic, then so be it."

She knows that the toy market is cut-throat. The turnover of west Germany's toy industry was DM2.1bn last year, while the east German figure was a mere DM122m. Combined east and west German exports totalled DM3.2bn, a slight fall over 1991. However, imports increased by 3.6 per cent to DM3.2bn as south-east Asian penetration of the market gained pace.

Ms Corinna Printzen, an official at Germany's Association for Toys, representing the industry, admits manufacturers are under pressure, particularly from electronic and video games being exported by Hong Kong, China and Taiwan. She reckons that German toy exports declined by 15 per cent in the first nine months of 1993. However, "there is a gradual but nevertheless noticeable shift away from electronic toys to the more traditional, creative models", she says.

Back in Sonneberg, the workers have accepted the demands of a market economy stoically. "I suppose all the changes will have been worth it if Sonni Puppen can succeed as a privatised company under our new owner," says Ms Hentschel. With luck, a doll from Sonneberg, which Connie Rudat yearned for as a child, might still make a gift for her grandchildren.

OBSERVER

Ringing in the stars

■ 1993 was hardly the year of the politician, and nowhere was the lack of inspirational leadership more apparent than at Westminster. But amid the pedestrian greyness of the cabinet and its Labour shadow, some staked a claim to a brighter future.

The cabinet's stars, of course, are the Treasury's dynamic duo Kenneth Clarke and Michael Portillo. Clarke, 53, is now firmly established as heir apparent and Portillo, 40, as the next prime minister but one.

Sorting out the rest of the runners in the next government reshuffle is more challenging. Stephen Dorrell, 41, a reformed wet and another member of the Treasury team, seems promotable. But there is little to choose between David Curry, 49, at environment, Jonathan Aitken, 51, at defence, Brian Mawhinney, 53, at health, David Heathcot-Amory, 44, at the foreign office, and David Davis, 45, in William Waldegrave's department.

For Labour, Tony Blair, 40, the party's leading moderniser, and Robin Cook, 47, from the more traditional soft left, would lead the pack in any contest to succeed John Smith, 55. George Robertson, 47, the hero of the Maastricht debate, is less in the limelight now that he is shadow Scottish secretary, but a bravura performance by John Prescott, 55, at his party's conference confirmed him as a man of influence at the top.

Men to watch one rung down are: Alistair Darling, 40, in the Treasury team, Brian Wilson, 45, Labour's rail privatisation expert, Geoffrey Hoon, 40, Robertson's sharp-witted ally in the Maastricht manoeuvrings, and Mike O'Brien, 39, an even younger version of the youthful Blair. But after that the field thins out.

Unlike the Tory party, Labour's real stars remain an increasingly elderly bunch of backbench oldies. Peter Shore, 69, Tony Benn, 68, and, of course, Denis Skinner, 61, last year put many of their colleagues to shame.

'Bang goes the money I was going to spend on shares when it's privatised'

Mighty mouse

■ The Mini car, the late Sir Alex Issigonis's "flying shoebox", is entering its 35th year of production with its largest market no longer Britain but Japan, where it has achieved a cult status. There are even Japanese magazines devoted to it.

To help the enthusiasm along, Rover Japan, the Japanese publishing house NEKO and several other Japanese business concerns are entering one of the tiny machines – a 100 horsepower Cooper version – in January's Monte Carlo rally.

Not even Rover seriously suggests that the Japanese Mini – or three others being entered from the UK – will mount a credible challenge to the 300 horsepower monsters of the modern rallying world.

The winner is far more likely to be a Toyota.

Chips to Moscow

■ Carlo de Benedetti, the Olivetti chairman, has been banging on for ages about the company's move out of manufacturing into more profitable computer-related services.

But Olivetti's latest deal, worth about L26bn – helping re-educate officers of the Russian armed forces for civvy street – seems a radical move even for him.

Olivetti won the contract from the European Commission. Along with German and French partners it will provide management training to about 16,000 of the 200,000-odd Russian officers deemed to be surplus to requirements since the Berlin Wall came down. Some of the demobbed will even be shipped to Europe for six months, to see western business at first hand.

De Benedetti's business savvy is justly renowned. Competitors are thus asking themselves whether Olivetti's latest venture reflects hopes of acquiring potential new staff, or is just a useful bit of advance networking for future Russian sales.

Family game

■ Who is going to win control of Everton, the luckless Liverpool football club controlled by the family of the late Sir John Moores, the pools millionaire and founder of Littlewoods?

Will it be Everton's home side led by Bill Kenwright – whose courageous production of Blood Brothers has defied the New York critics and is packing them in on Broadway? Or will it be the self-made millionaire Peter Johnson, who has rejuvenated neighbouring Tranmere Rovers?

All eyes are on Lady Grantchester, Sir John's daughter, who chairs the family's interviewing panel. Her detailed knowledge of the game's finances has surprised contenders. So surely she will not let her family's loyalty to Everton be affected by the fact that Johnson has had a season ticket for Liverpool, Everton's arch rivals, for the last 25 years.

Polishing up

■ By some standards the Asian emerging markets were standing still last year. Birinyi Associates in New York points out that shares in Poland rose by 1,095 per cent in 1993. The Polish index passed the 13,000 mark yesterday for the first time.

There are only 21 quoted companies, and dealing is, um, frothy. "Trading in Irena SA glassmaker was suspended as demand soared on last week's report that the company got a substantial tax refund," said Reuter.

New definition of an emerging market: one that moves on the news that the cheque's in the mail.

Eye spy

■ The new openness of government promised by John Major has seeped into the very heart of London's secret services. Carefully positioned opposite MI6's new HQ on the south bank of the river Thames is a coin-operated public telescope.

FINANCIAL TIMES
Tuesday January 4 1994

Japanese to shelve joint project with Boeing for 150-seat airliner

By William Dawkins in Tokyo

Japan is to suspend an 11-year-old joint airliner development project with Boeing, the US aerospace group – a setback to Japanese efforts to create a world-class aerospace industry.

The spur is Boeing's decision, late last year, to modernise its best-selling 737 short-to-medium-range airliner before developing the new aircraft jointly with Japan – known as the YXX. The move is a reflection of the pressure on costs imposed by the weakness of demand from airlines.

Tokyo has decided to shelve work on the 150-seat YXX and to reduce spending this year to the minimum needed to tie up the project, according to the Ministry of International Trade and Industry.

The YXX, as originally planned, would be so close to the upgraded 737, known as the 737-X, that the joint project would no longer work in its present form, Miti officials said. However, Boeing has not formally cancelled the YXX.

The discord over the YXX is reminiscent of the squabbles between Japan and the US over the development of a joint air fighter, the FSX, in the 1980s. Japan's trade partners, particularly the US, are ambiguous over its attempts to create a competitive aerospace industry. It is one of the few manufacturing sectors where the US can achieve a trade surplus.

Both the YXX and the FSX were overshadowed by US fears that Japan was acquiring technology too cheaply.

Boeing and Japan Aircraft Development Corporation, a consortium of Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries, signed a memorandum of understanding for a $1.7bn development plan for the YXX in 1984.

Of that, the Japanese side was to pay 25 per cent, with the rest covered by Boeing and other partners. Instead, the Japanese aerospace consortium is now seeking to supply components for the 737-X, on which it might be offered contracts for wing parts.

It is also pursuing a separate Y80bn ($714.28m) plan for a smaller passenger aircraft, with international partners.

That project, known as the YSX, is for a 70-80-seat short-range aircraft, to be in service by the end of the decade.

The consortium started a feasibility study with Miti in 1989 and has approached several potential partners, including Saab-Scania of Sweden, but no final decision has been made, a Miti official said.

Saudi pledge of spending cut eases pressure on riyal

By Robin Allen in Dubai and Mark Nicholson in Cairo

Saudi Arabia's promise to cut government spending by 20 per cent in 1994 has eased pressure on the riyal and prompted a 1.5-percentage-point fall in interbank rates at the weekend.

The intended spending cut was the centrepiece of the kingdom's annual budget.

It follows several months of intensified international scrutiny of Saudi Arabia's public finances, which have been in deficit for more than a decade but under increased pressure with the recent softening of crude prices.

According to the budget statement, the government intends almost to balance its books in 1994, with expenditure estimated at SR160bn $42.6bn and revenues, predominantly from oil sales, at SR155.6bn – a figure economists in Riyadh said implied a price of $15 a barrel for Saudi Arabia's main export crude and sustained output at present levels of 8m barrels a day.

The 1994 figures compare with a budgeted deficit in 1993 of SR27.8bn and spending of SR196.5bn.

However, the government has not published actual figures for last year's overall revenues or expenditure, leaving the true scale of the Saudi budget deficit a matter of conjecture. Some local economists believe the easing of the oil price last year may have left a gap as large as $15bn, while none believes the government has met its budgeted target.

Few other details of the 1994 budget were given at the weekend. There is, in particular, no indication of how or where government spending cuts are to be made, although the Saudi Press Agency reported that the king had banned the signing of any new contracts that would add to government spending in 1994.

King Fahd clearly hoped the announcement of intended spending cuts would end pressure that has dogged the riyal over the past few months, while banishing rumours of a devaluation.

The king told a special session of the council of ministers on January 1 that he was determined to maintain the riyal's present value. But many bankers and economists expressed caution before the London and New York financial markets returned to work fully today.

Meanwhile, neighbouring Oman said it intended to make a 10 per cent cut in expenditure for 1994 over last year in its new year budget. The budget puts spending at RO2bn $5.2bn of which 30 per cent is to on defence. Revenue is estimated at RO1.7bn, leaving a deficit of RO301m.

Mr Qais Al Zawawi, deputy prime minister for financial and economic affairs, said actual 1993 expenditure was $5.84bn (£3.94bn) and revenue $4.4bn, leaving a deficit of $1.4bn.

Morgan accepts intervention

Continued from Page 1

The Bank of Spain said in the document that it might have over-estimated the over-valuation of Banesto's assets by Pta48bn. However, it said that Banesto's management "has not given sufficient documentation to justify" a downward adjustment to the Pta503bn assessment of the over-valuation.

In its letter to Mr Rojo, Morgan said that it believed that Banesto's "prospects for future profitability are strong". It said that it "fully supported" a capital restructuring plan it drewn up with Banesto, including a $400m convertible bond issue due in the second quarter of this year.

The letter was written by Mr Roberto Mendoza, a Morgan vice-chairman, who represented the Corsair on the Banesto board and was one of the directors ousted when the Bank intervened.

Morgan's stake in Banesto was $17.5m.

Call for reform in Russian air industry after crash kills 120

By Leyla Boulton in Moscow

The head of Russia's pilots' union called for "an end to the mess" in the domestic airline industry after 120 people died yesterday in the country's worst air crash for a decade.

A Tupolev Tu 154 crashed in Siberian farmland just after taking off from Irkutsk, near Lake Baikal, for a five-hour flight to Moscow. All 120 crew and passengers, including 16 foreigners, were killed after the engines failed and the aircraft caught fire in mid-air. No cause for the engine failure has been established. Nine Germans and four Chinese died in the crash.

Mr Alfred Malinovski, head of the pilots' union, said that the crash was part of a "harvest of accidents which, to a significant degree, is being reaped because of the shocks suffered by the aviation industry".

He said that, with the break-up of Aeroflot into 160 local carriers such as Baikal Air, whose aircraft crashed yesterday, safety checks had been weakened and pilots had little control over the overloading of aircraft with cargo, fuel and passengers.

"The industry is in a fearful state. Not enough money is spent on repairs, and enforcing safety regulations. Pilots have to travel with bags of cash to pay for fuel and tend to load as much fuel [as possible] wherever they are because prices are so unpredictable. Crudely speaking, things are a mess."

At its year-end press conference, the Russian Transport Ministry reported that fatal accidents on Russian airlines had dropped to 10 last year from 24 in 1992.

Mr Malinovski added that ground staff and crew were vulnerable to bribes and threats to take on extra cargo, particularly from small traders who criss-crossed the country reselling goods and transporting them on passenger tickets.

Some 160 new airlines have emerged alongside the offshoots of Aeroflot. But while some of the Aeroflot units and new airlines have improved services, domestic travel within the former Soviet Union remains dismal.

Passengers have reportedly placed luggage in front of safety exits.

Yeltsin hardens foreign policy

Continued from Page 1

and for other radical steps in anticipation of better results in the elections. But Mr Vasiliev said yesterday: "There is now little chance of any large-scale agreement with the IMF."

A standby agreement setting tough reform conditions for further financial assistance from the Fund already looked in doubt before the election. It now looks even more unlikely that the IMF will step in to compensate for western failures to influence Russian reforms.

Russian reform prospects should become clearer with the appointment of a revamped cabinet, expected before the new parliament gathers on January 11. Yesterday the government began its move into the White House, the old parliament building, after repairs were completed.

THE LEX COLUMN

Shared interest

Last year will go down in UK stock market history as one in which all but the most optimistic expectations were exceeded. The starting point was not auspicious. Worries about inflation after sterling's humiliating exit from the ERM were compounded by fears that the economic recovery would falter. Above all there was widespread scepticism about the government's ability to finance its surging deficit.

Having been so badly wrong-footed – most expectations a year ago, including those of this column, were that the FT-SE 100 would end 1993 closer to 3,000 than to 3,400 – forecasters are naturally reluctant to pour cold water again. Nor are they short of positive arguments. Inflation has fallen to the lowest point in a generation; interest rates are still moving downwards; the recovery is reasonably well established; and two budgets have restored some semblance of order to government finances.

Yet the market must overcome a number of obstacles to justify its present level, let alone to achieve further price increases. Will enthusiasm for equities wither in the face of any further US bond market or Federal Reserve tightening as the recovery gathers pace? How will the UK economy react to the tax increases that start to bite in April?

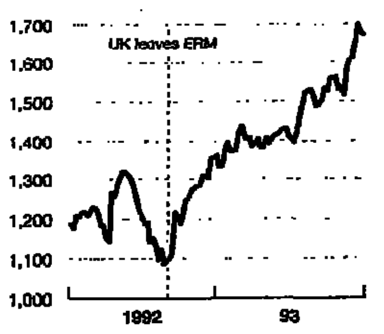
Price multiples

The bull case for equities rests heavily on the assumption that a historic market p/e of around 22, somewhat higher than that which preceded the 1987 crash, is perfectly acceptable when inflation is low. Since that reduces investors' requirements for return, and since the quality of earnings should improve as inflation comes down, shares should naturally trade on a higher multiple.

This argument is lent additional weight by the way in which historic earnings have been depressed by restructuring charges which nowadays have to be carried above the line. Strip these out and the market multiple does not look so high. Nor, given expectations of earnings growth of between 15 and 20 per cent this year, does it look particularly stretched on a prospective basis.

On some other measurements too, equities look attractive. Thanks to the fall in interest rates, the yield on cash is only 1.5 times that on shares, whereas it was as high as 3.5 times at the start of the decade. At just under two times, the gilt/equity yield ratio is

FT-A All-Share Index



Source: FT Graphite

on the low side by recent historic standards. That suggests equities could not rise much further without a corresponding fall in gilt yields, but the relationship may also have undergone a structural change as inflation has been wrung out of the system.

Liquidity

The nagging worry, though, is that such arguments are simply a justification of a rise driven primarily by liquidity. Such a conclusion seems indicated by the propensity of share prices to crumble when any leading company announces disappointing profits. That was the fate of GEC and Hanson a month ago. Beguiling as the re-rating argument is, there is also some underlying nervousness.

Companies must produce some fancy earnings figures to justify present multiples, especially in sectors such as building materials where economic recovery has been most strongly discounted. Dividend growth is also unlikely to keep pace with earnings, given the level to which cover sank during the recession.

That may explain the appeal of utilities which can offer relatively attractive yields and the prospect of some dividend growth. Banks have also benefited because dividend cover is likely to grow particularly fast as provisions come down after the recession. But the selectivity of investors again suggests their primary aim is yield enhancement, against the background of lingering scepticism about earnings.

Such worries will come to the fore if the economic recovery does falter as taxes go up in the spring. Even then, though, the equity market could be saved by further cuts in interest rates. Relative to cash the attraction of equities would improve again, provoking further liquidation of retail bank and building society deposits.

It is the switching of this money into equities and gilts coupled with large inflows of foreign capital which sustained the market in 1993. The resulting liquidity has not only enabled the government to fund its deficit at lower and lower interest rates. It has also seen the equity market absorb more than £11bn in rights issues and £5bn in new issues.

The central question for 1994 is to decide how long liquidity is likely to stay abundant. On the domestic front the flow of retail cash may slow somewhat, simply because the largest part of the fall in base rates has already taken place. A combination of previous over-funding and tighter fiscal policy will also substantially reduce the supply of gilts. The end to pension holidays may create additional investment flows but these will be at least partly offset by a fall in income available for reinvestment as institutions are receiving smaller tax credits on their dividend income.

International flows

As for international flows, much depends on the behaviour of US markets. A striking aspect of last autumn's peak in the US bond market was that equities continued to gain. This could be natural for this stage of the cycle. If the bond market is rattled by the pace of the recovery, that should be positive news for corporate earnings and therefore equities. If the UK follows this pattern, equities should start outperforming gilts again once a firm economic recovery brings a halt to base rate declines.

Yet the UK is much more dependent on international flows than the US, and the risk remains that a market upset there will cause US investors to retrench across the board. They, too, have been seeking to escape low returns on cash, but even cash becomes attractive when other markets are falling. With luck, the Federal Reserve will tighten just enough to preserve the recovery while protecting the bond market from long-term inflation worries. Such a soft landing would allow other markets to continue upwards. But it requires delicate judgment as regards the timing and amount of any interest rate rise. One false move and the reverberations would be felt across the world. Then even the UK's relatively good economic prospects would not protect its equity market from sharp correction.

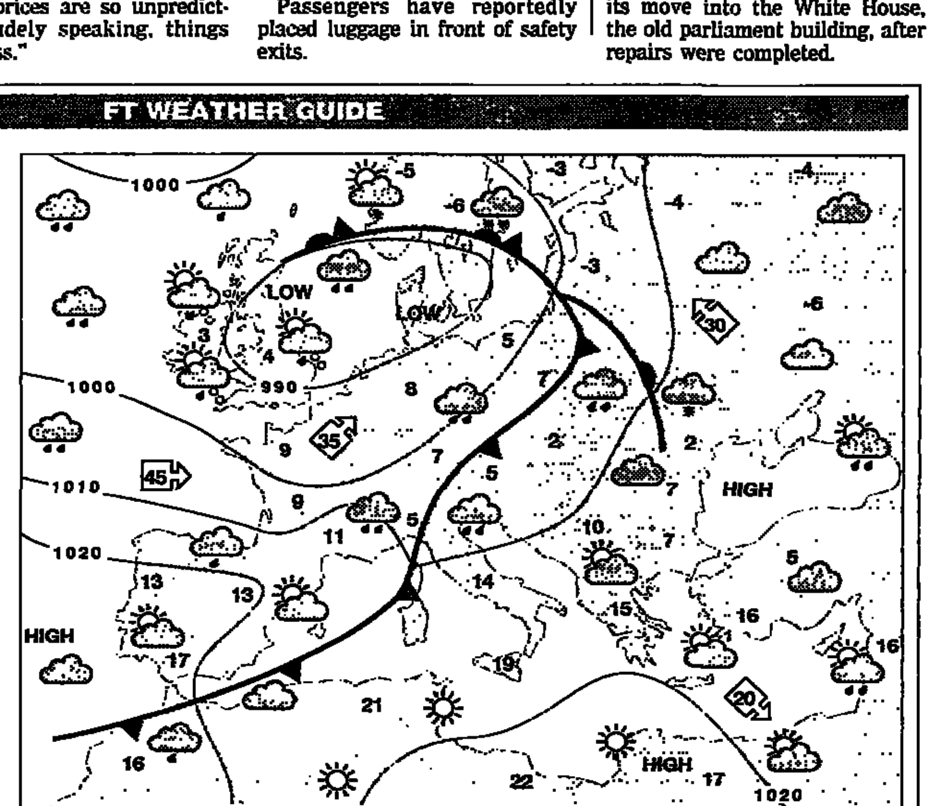
FT WEATHER GUIDE

Europe today

A cold front over southern Scandinavia will extend from the Alps towards southern Spain. The front will produce cloud and rain as it moves east. However, snow is expected over the Ukraine, the Baltic states and southern Scandinavia. Unstable air will be drawn into France, the Benelux and Germany, causing showers. Spain will be cloudy with drizzle in the north but Italy and Greece will have sunny periods. A few showers will fall in Turkey. The UK will have showers, some with hail or thunder. In the evening, cloud will increase from the west, followed by heavy rain in southern Ireland and Wales.

Five-day forecast

On Wednesday, a new depression from the Atlantic will produce heavy rain over France. More than 35mm is expected in some parts of the south. Snow will accumulate on the higher slopes of the French Alps. Later this week, a strong southerly flow will draw rather mild air into central Europe causing unseasonably high temperatures. However, Scandinavia will remain cold with daytime temperatures well below freezing.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	hail	2	Cardiff	shower	5	Frankfurt	fair	8	Malta	sun	19	Rio	fair	29
	Celsius		Belgrade	cloudy	11	Chicago	snow	-4	Geneva	rain	6	Manchester	shower	3	Riyadh	fair	28
Abu Dhabi	fair	24	Berlin	shower	6	Cologne	cloudy	8	Gibraltar	shower	17	Manila	cloudy	30	Rome	fair	15
Accra	sun	31	Bermuda	cloudy	23	D' Salaam	fair	30	Glasgow	hail	2	Melbourne	fair	25	S. Frsco	rain	13
Algiers	shower	21	Bogota	cloudy	20	Dakar	sun	27	Hamburg	hail	6	Mexico City	fair	20	Seoul	sun	7
Amsterdam	shower	7	Bombay	sun	33	Dallas	fair	18	Helsinki	snow	-1	Miami	windy	19	Singapore	fair	31
Athens	fair	16	Brussels	shower	8	Delhi	sun	24	Hong Kong	cloudy	22	Milan	rain	4	Stockholm	snow	-1
B. Aires	fair	27	Budapest	cloudy	4	Dubai	fair	25	Honolulu	fair	27	Montreal	cloudy	-9	Strasbourg	shower	10
B.ham	shower	4	C.hagen	shower	4	Dublin	hail	4	Istanbul	fair	9	Moscow	cloudy	-2	Sydney	fair	32
Bangkok	fair	34	Cairo	fair	17	Dubrovnik	fair	14	Jersey	shower	7	Munich	rain	8	Tangier	shower	14
Barcelona	cloudy	15	Cape Town	fair	25	Edinburgh	shower	2	Karachi	sun	28	Nairobi	fair	28	Tel Aviv	shower	15
Beijing	sun	7	Caracas	cloudy	28	Faro	shower	15	Kuwait	fair	20	Naples	fair	16	Tokyo	cloudy	6
									L. Angeles	fair	19	Nassau	fair	26	Toronto	cloudy	-7
									Las Palmas	cloudy	21	New York	sleet	2	Tunis	fair	22
									Lima	fair	27	Nice	fair	14	Vancouver	shower	8
									Lisbon	shower	13	Nicosia	fair	18	Venice	rain	7
									London	hail	6	Oslo	snow	-6	Vienna	sleet	2
									Lux.bourg	cloudy	5	Paris	hail	9	Warsaw	rain	5
									Lyon	shower	8	Perth	fair	26	Washington	snow	-1
									Madeira	cloudy	17	Prague	rain	8	Wellington	fair	21
									Madrid	cloudy	9	Rangoon	sun	31	Winnipeg	cloudy	-17
									Majorca	shower	17	Reykjavik	cloudy	-2	Zurich	rain	7

FINANCIAL TIMES
COMPANIES & MARKETS
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Tuesday January 4 1994

Richard Waters explains revised US capital rules for insurers

A new way of dealing with risk

Are risk-based capital rules about to do to the US insurance industry what they have done to the country's commercial banks?

From this year, US property and casualty insurers will have to set aside minimum levels of capital, based on risks they run. This nationally applied system replaces a patchwork of state-level regulation under which most insurers had to meet only a simple solvency test.

Similar capital rules for commercial banks, developed internationally in the late 1980s, forced banks to scale back their ambitions to conserve and build their capital. This helped drive borrowers and depositors away from the banks and towards the capital markets.

As with the banks, the new regulations are likely to have two effects. The first is to reduce most property/casualty insurers' appetite for risk and encourage them to raise premiums more quickly than would otherwise be the case.

The second is that insurance business will begin to by-pass the insurance companies' balance sheets altogether. Through off-balance sheet transactions and the use of derivatives, insurers could find ways to shift part of their risks to the capital markets.

The new risk-based capital rules have been developed by the National Association of Insurance Commissioners, a grouping of state insurance regulators. Made jittery by the collapse of the Executive Life and Mutual Life companies in 1991, the commissioners decided to impose a more stringent system for measuring an insurer's financial health.

Risk-based capital rules for life insurers, in force since the start of last year, have intensified the pressure on life companies to strengthen their balance sheets. As a result companies such as Equitable, in which Axa of France owns 49 per cent, have been busy rebuilding their capital.

Also, the new rules have reduced the life companies' appetite for risk, says Ms Shelly Harris, an analyst at Standard & Poor's. This has given extra impetus to the growth of variable life products, under which the investment risk is born by the customer, in preference to whole life products, where the insurer guarantees to pay a fixed amount.

A similar response can be expected from the property/casualty insurers. They could also become more risk-averse, pushing up premiums and encouraging buyers of insurance to find other ways to cover their risks.

"Certain liability lines are heavily penalised [under the risk-based capital rules]," says Mr Steven Bolland of Gill and Roeser, a New York-based insurance broker. "Premiums in some of the businesses which require heavy capital will need to get higher."

The complex regulatory regime agreed by the NAIC last month requires insurers to set capital aside against four types of risk.

Credit risk, for instance, is defined as the risk that a reinsurer will default and not pay money due under a reinsurance policy. Insurance companies have to provide capital equal to 10 per cent of amounts covered under reinsurance arrangements – higher than the broad 8 per cent rule for credit risks established by bank regulators. That builds an extra cost into the *insurance* mechanism. In addition, insurance companies face capital charges to cover underwriting risk (the risk that their reserves will prove inadequate to meet future claims); investment risk (higher charges apply to more risky investments, like junk bonds or commercial property); and even growth risk (insurers which grow at more than 10 per cent a year are taking bigger risks and should set aside more capital, says the NAIC).

Insurers could turn to derivatives

Taken together, these rules are likely to constrain growth. Given that they come at a low point in the traditionally cyclical insurance industry, when many companies are already struggling to rebuild their capital, the rules may well bite with extra force.

Last year, US property/casualty insurers raised $6.4bn of new capital between them. They also realised a record $10.4bn of capital gains. But with record catastrophe insurance losses and premium income hardly rising, they ended the year with only a $5.1bn addition to their combined capital base, a rise of just over 3 per cent. With the exception of 1990, every other year since the mid-1980s has seen double-digit growth.

To try to protect their balance sheets, insurers could turn to derivatives as a way of shifting part of their risks to the capital markets.

A number of derivatives houses are circling on the fringes of the insurance industry. At the forefront is said to be Bankers Trust, the commercial bank which has done the most to foster the use of derivative financial instruments, and Center Re Financial Products (CRFP), an offshoot of Zurich Re. Mr Richard Sandor, head of CRFP, argues the capital markets will one day provide a mechanism for transferring underwriting risks, just as they now transfer interest-rate risk.

Given the revolution that has taken place in other areas of the capital markets, this does not seem a far-flung claim. Twenty years ago, the only way to participate in the mortgage industry was to buy shares in a company that made home loans. Now, a $1,500bn mortgage-backed securities market has opened up the mortgage industry to capital markets investors. A multi-billion dollar interest-rate swap market has revolutionised interest-rate risks.

Mr Sandor, former chief economist at the Chicago Board of Trade who was instrumental in the launch of interest-rate futures 20 years ago, argues that the capital-constrained insurance industry will eventually go through the same process, with off balance-sheet vehicles and derivatives transforming the way risks are transferred.

A trillion-dollar market in securitised car insurance policies may be some way off. But with tighter capital rules on insurance companies, such a development looks far more likely.

Investors cheer as Federated eyes Macy's

By Martin Dickson in New York

Shares in Federated Department Stores and bonds in R.H. Macy rose yesterday as Wall Street reacted positively to news that Federated is trying to take over rival stores group Macy's through an unusual bankruptcy court manoeuvre involving the purchase of Macy's debt.

Federated, with revenues of $7bn annually, operates 219 stores, including the up-market Bloomingdale's chain, and a takeover of Macy's, best-known for its 111 stores of the same name, would create a retailing colossus with annual sales of over $13bn and operations in most areas of the US.

Macy's has been operating under so-called Chapter 11 bankruptcy court protection from its creditors since 1992 as it works on a plan of financial reorganisation.

Federated, which itself emerged from bankruptcy protection last year, announced on Sunday that it had acquired for $449.3m half of Prudential Insurance Company of America's secured claim on Macy's. It has an option to buy the remaining 50 per cent within three years.

The Prudential has been Macy's largest single creditor, and the deal therefore gives Federated a major say in the outcome of the company's bankruptcy court reorganisation.

Total claims against Macy's exceed $6bn.

Federated said it had acquired the claim "with the ultimate objective of working toward a combination of Federated and Macy's into a single, nationwide, multi-billion dollar department store operation, with the potential for greatly enhanced operating efficiencies".

It is extremely unusual for a company to try to take over another by acquiring its debt and pressing for a deal in bankruptcy court proceedings.

Mr Allen Questrom, chairman of Federated, said that "none know better than we that this will be a challenging process, with no guarantee that we will be successful in accomplishing anything more than having made a sound business investment".

However, the debt deal also puts it in a strong position to block any bid for Macy's from rival retail chains.

To succeed with a bid, Federated will need the support of Macy's other leading creditors, such as the large fund management group Fidelity Investments, as well as the judge overseeing the bankruptcy case.

Mr Myron Ullman, chairman of Macy's, said it was premature to discuss what implications Federated's move might have on its reorganisation process.

He was expected to meet yesterday with Mr Questrom.

Shares in Federated rose $1¼ in morning trading to $22 while Macy's 14.5 per cent senior subordinated debentures traded up to 50 from 41, as investors hoped for a speedier resolution of bankruptcy proceedings, leading to a higher internal rate of return on the debt.

French bank group in capital increase

By Alice Rawsthorn in Paris

Crédit Commercial de France (CCF), the French banking group, is the latest company to take advantage of the buoyant state of the Paris stock market by unveiling plans for a FFr1.3bn to FFr1.5bn ($250m) capital increase.

Mr Charles de Croisset, who last year took over as CCF's chairman, said the capital increase was intended to strengthen the balance sheet and finance expansion.

CCF, best known in France as a retail bank, has been mooted as a potential investor in Banque Hervet, the medium-sized investment bank the French government has put up for sale. The group yesterday confirmed it was interested in acquiring Banque Hervet.

The capital increase, the first by CCF since privatisation in May 1987, will be divided between existing investors and a market placing. CCF said the issue will increase its total equity by between 7 per cent and 8 per cent.

CCF is staging its issue at a critical time for the French banking industry which hopes to begin its recovery this year after two difficult years in which banks have come under intense pressure due to the economic recession and depressed demand for credit.

However CCF has fared better than competitors and has emerged relatively unscathed. It has already announced a 10.7 per cent increase in net interim profits to FFr541m for the first half of 1993 against FFr489m in the same period the previous year.

Mr de Croisset said CCF was on course for continued growth in the full financial year of 1993 and in 1994. He anticipated a "moderate increase" in 1993 profits from FFr978m despite a sharp increase in provisions.

He also forecast further profits growth for 1994 saying that CCF had began the year "in a healthy position". Mr de Croisset said the group's traditional banking business should show an improvement over 1993.

Revised All-Share classification takes effect

Today's stock market trading will be the first to be reported under the revised FT-SE Actuaries classification of industry sectors.

The traditional All-Share categories have been given their first thorough overhaul in two decades, to yield sectors that more accurately reflect the shape of today's market.

From tomorrow's edition, the new arrangement will also apply to the FT's share price listings, the London Share Service. Several hundred of the 3,000 or so securities on the page will change categories, and a number of sectors change their names.

A full alphabetical listing of stocks from these pages, together with the new sectors in which they can be found is contained in a special two-page guide to the new classification, inside this issue.

Details, Page 22
Lists, Page 28 and 29

Markets this week

Starting on page 16

PETER MARTIN:
GLOBAL INVESTOR

Three questions hang over the developed world's investment outlook. What will happen to US interest rates? Is Germany on its way out of recession? And will Japan's deflation take the economy into a black hole? Page 16.

PETER NORMAN:
ECONOMICS NOTEBOOK

It used to be a radical idea that the days of high inflation in the UK were over. Now it is commonplace. But, at the risk of sounding gloomy, it is too soon to consign inflation to the history books. Page 16

Bonds:
1993 was the best ever year for the Eurobond market, with the volume of new issues rising 45 per cent to a record $400bn. Page 18

Equities:
The beginning of January has often been a highly productive time for investors – even if this did not always last for the rest of the month. And there is no shortage of bullish forecasts for 1994. Page 19

Emerging markets:
The new year has got under way with a bang – eight Asian markets hit records yesterday. But won't they soon come crashing down? Page 17

Currencies:
The new-found strength of the dollar and sterling is likely to be put to the test this week. Page 17

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This week: Company news

PARAMOUNT

Rival bidders weigh up their final moves

The four-month $10bn takeover battle for Paramount Communications, the film and publishing group, should reach a climax by Friday, the last date for rival bidders Viacom and QVC Network to increase their offers.

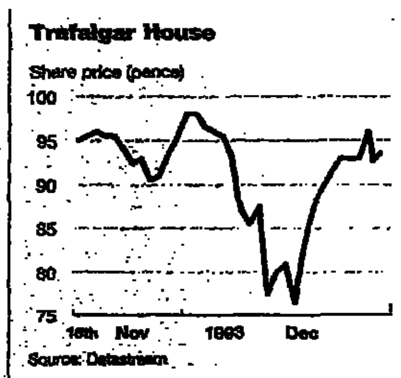
QVC, a cable television home shopping channel, headed by Mr Barry Diller, a leading film industry figure, currently has the edge. It is offering $92 a share in cash for 51 per cent of Paramount's stock and a mixture of securities for the remainder.

Viacom, a cable television company, is offering $85 a share in cash for 51 per cent and a blend of securities for the other 49 per cent. However, Viacom is widely expected to announce a higher bid some time this week. Over the Christmas period it was negotiating with two companies which have already provided finance for its bid – Nynex and Blockbuster Entertainment – over backing for an increased offer. The two are believed to have sought improvements in the terms of their original investment, and are also likely to have pushed for a greater say in the running of Viacom-Paramount through additional board seats and some voting stock.

The central question is how much control Mr Sumner Redstone, chairman of Viacom, is prepared to give up. The current takeover terms would leave him with around 70 per cent of Viacom-Paramount's voting stock. Ms Lisbeth Barron, an analyst with SG Warburg, reckons he could boost his bid by about $10 a share by selling voting shares to partners, which would still leave him with 51 per cent of the combined business.

Assuming Viacom bids again, QVC's Mr Diller will have to decide whether Paramount is worth a still higher offer. The stock market certainly doubts it, since it has been depressing the share price of whichever bidder looks the likelier victor. The winner, in other words, may be the loser.

Trafalgar House



TRAFALGAR HOUSE

Investors find hope after digging deep

Shares in Trafalgar House have risen sharply since the troubled conglomerate announced a £404m rights issue while posting a £347.2m annual pre-tax loss.

However the xxp share price gain since mid-December appears to reflect greater shareholder confidence in the group, now firmly under the sway of Hongkong Land Holdings, Trafalgar's 25.3 per cent stakeholder. This new-found optimism will be tested again on Friday when shareholders will be asked to approve the one-for-three convertible preference share issue and placing.

Hongkong Land, which has invested about £200m in building up its equity stake, has said it will take up its full rights entitlement. Its grip on Trafalgar's management will be further strengthened by the appointment of Mr Nigel Rich – currently Hongkong Land's managing director – as chief executive from next August.

Without Hongkong Land's support there is little doubt that Trafalgar would have faced a debt rescheduling. Nevertheless shareholders – who will have stumped up £964m over three years – have little to look forward to in the short term. The board has forecast a 1p (3.5p) dividend this year and analysts believe it will be several years before the group achieves a barely respectable 5 per cent pre-tax margin on its £4bn turnover.

OTHER COMPANIES

Metallgesellschaft meets bankers

Tomorrow Metallgesellschaft, the troubled Frankfurt-based conglomerate, will meet its bankers to spell out the extent of the liquidity difficulties arising from the futures trading activities of MG Corp, the group's US trading subsidiary.

With gross debt for the group at DM8bn ($4.6bn), there are rumours in Frankfurt that Mr Kajo Neukirchen, the new hard-hitting chief executive, will ask for a moratorium on debt repayment as a means of staving off insolvency. It may not go so far, but the fact that the meeting has been brought forward from January 10 suggests that the problems are worse than originally expected.

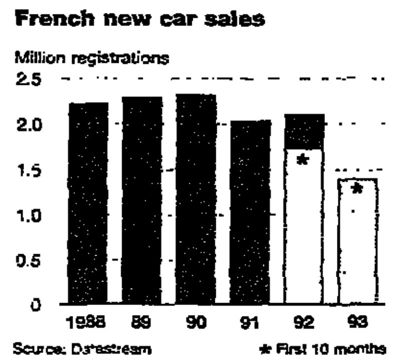
■ **Carlton Communications:** The UK television company, which holds the London weekday ITV licence, will hold an extraordinary general meeting for shareholders at Hambros Bank tomorrow to obtain formal permission for the agreed takeover of Central Independent Television. The meeting also has to approve changes arising from the bid, which valued Central at £758m ($1.1bn), such as an increase in share capital and the issuing of a new class of shares – 5.5p net convertible preference shares.

■ **Renault:** On Thursday the French state-owned car group will announce details of its commercial performance for 1993. This will include sales volumes, an analysis of its share of international markets and plans for the launch of new products.

Like other European car manufacturers, Renault is expected to report a sharp fall in sales. But the success of new models, such as the Twingo small car, should see the French car group maintain its share of the European car market at about 10.5 per cent.

Renault's ability to remain profitable despite the downturn in its markets will facilitate its privatisation. The sale of the government's controlling stake is due to take place in the second half of this year despite the failure of the planned merger with Volvo.

French new car sales



■ **Boots:** Before the end of the week, Boots is expected to be the first of the big UK retail groups to make a statement on how it fared in the all-important Christmas trading period. Analysts expect sales at Boots the Chemists for the quarter to the end of December – when it usually makes about half its annual profit – to be about 7 per cent up on last year, helped by the recent flu epidemic. Halfords is expected to have benefited from stronger bicycle sales, with Children's World and Boots Opticians also likely to show substantial sales growth. Profits forecasts for the year to March range from £450m to £460m ($680m).

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Good year for occupational pension funds

By Richard Lapper

British occupational pension funds performed impressively in 1993, with buoyant equity markets largely responsible for estimated real rates of return of more than 20 per cent.

In its initial estimates, World Markets Company, the Edinburgh-based performance measurement specialist, says that funds made total investment returns – capital gains plus income – of 27.8 cent last year, compared to 18.6 per cent in 1992 and an average return of 15 per cent annually over the last 10 years.

World Markets measures the investment performance of 1,900 UK pension funds with assets of £380bn, more than 80 per cent of the UK pension fund market.

Emerging stock markets in east Asia, such as Hong Kong and Malaysia, provided the most exciting growth with returns in excess of 90 per cent. Overall, overseas shares earned returns of 37 per cent, compared with 19.7 per cent in 1992.

Returns from North America amounted to 12.9 per cent down from 32.4 per cent in 1992. However, Japan and continental Europe both showed improvement on 1992, with increases of 35.3 (18.3 per cent) and 27.6 per cent (decline of 0.9 per cent) respectively.

In Japan strong growth in the first half of the year offset a sluggish performance in the third quarter and a 13.5 per cent decline in the final three months of the year.

In the UK total equity returns of 28 per cent were half a percentage point below the FT-A All-Share Index. Investment managers also saw a strong performance by UK bonds with returns in excess of 23 per cent on the back of falling bond yields and declining inflation.

The 21 per cent return from index-linked gilts is the best annual return since their launch in 1982.

The recovery in property values pushed returns up to 12.4 per cent after three years of losses.

Returns increased steadily, rising from 0.3 per cent in the first quarter to 6.1 per cent in the final three months of the year.

In contrast, returns from both overseas bonds (16.4 per cent compared with 29.1 per cent last year) and cash/other investments (7.1 per cent compared with 13.2 per cent) were both down.

New money flowing into the schemes amounted to only 1 per cent of total assets – an amount equivalent to about £3.8bn. Some 82 per cent of fund assets are invested in equities, with 25 per cent in overseas shares.

Money continues to be allocated to Europe and the Pacific at the expense of North America and Japan.

Pension funds now have 4.8 per cent of total assets invested in east Asian emerging markets, compared with 4.7 per cent in Japan.

PENSION FUND RETURNS (%)

	1992	1993(Est)
UK equities	20.8	27.9
Overseas equities	19.7	37.3
UK bonds	19.1	23.6
Overseas bonds	29.1	16.4
UK index-linked	17.8	21.8
Cash/other investments	13.2	7.1
Total assets (excluding property)	20.3	28.8
UK property	-1.3	13.0
Overseas property	0.8	-2.9
Total assets (including property)	18.6	27.8

Source: WM Company

How Serco became Cinderella's Prince Charming

Andrew Bolger takes a look at one of the stock market's best performers through the recession

Winning a business enterprise award recently presented a ticklish logistical problem for Serco, the contract management group – how to show the prize to as many employees as possible, given that they operate on more than 400 sites worldwide.

The 9,500 staff who work for the group and its associates perform a bewildering variety of tasks: everything from servicing RAF helicopters to looking after buildings for corporate customers such as Marks and Spencer and Barclays.

Yet the range of Serco's work has not prevented the low-profile company from being one of the stock market's best performers through the recession. Since flotation in late 1988, the group's market value has increased more than seven-fold to its present level of £146m. Pre-tax profits are this year expected to top £9m, compared with £3m in the year it came to market.

Serco has successfully ridden a wave which has swept both the public and private sectors, first in the US and more recently in the UK and beyond. Variously dubbed contractorisation, outsourcing, or – in the case of the public sector – privatisation, it involves organisations concentrating on their core functions by farming out peripheral activities, normally cutting costs in the process.

Mr Richard White, Serco's managing director, says coping with the consequent diversity of activities within the group is simple: "Essentially it is a management question. We build strong teams and then maintain tight financial control."

Serco was established in 1929 by RCA to service the US group's British cinemas, and was the subject of a management buy-out in 1987, a year before flotation. Mr White says the most important legacy from RCA is Serco's tradition of strong financial reporting disciplines.

What Mr White describes a Serco's big break came in 1964 when RCA was awarded the contract to look after the RAF's Fylingdales missile early-warning station in Yorkshire. The contract, which Serco has retained, involves the operation of the radar system, as well as cleaning and maintenance of the base.

This track record - and subsequent substantial contracts with the European Space Agency – meant the RCA offshoot was well placed when the Ministry of Defence started contracting out more services in the eighties.

Defence-related work still accounts for about 40 per cent of Serco's business. Mr White says he is not unhappy with that balance – indeed the pressure on defence spending seems likely to increase the pace of contracting out of MoD services.

Trevor Humphries

Richard White: tradition of strong financial reporting disciplines

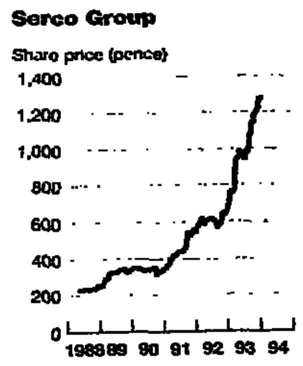
Serco has, however, widened its field operations beyond the defence field, although public sector contracts still account for about 90 per cent of business. The group now runs sports centres for local authorities, road management schemes and air traffic control systems. Mr White estimates his group can save most clients up to 30 per cent of the cost of any contract. Although Serco does normally end up employing fewer staff, he says there is a lot more to their approach than cutting numbers.

"Often the functions we take over were the Cinderellas of an organisation. We get a tremendous response from workforces because suddenly the thing they do is the main attraction, which we focus on."

All Serco's full-time employees have staff jobs, even although the group's contracts run from one to 10 years, with five being the average. About half the workforce is unionised. Mr White says the group is not anti-union: "We like unions which can negotiate long-term agreements and stick to them."

Serco tends to avoid contracts with low added-value, such as cleaning or security services. However, the group manages British Rail's Victoria and Liverpool Street stations. Mr White said these contracts were taken mainly to establish a close relationship with BR in the run-up to privatisation.

Although Serco's organic business has achieved an underlying growth rate of nearly 20 per cent, it does not enjoy huge profitability – the operating margin is just over 5 per cent. Mr White says: "We are not greedy on price, so as to increase our chance of getting renewal and thus ensure continuity of business and stability for our staff."



Source: Datastream

Serco now operates in 29 countries and about a fifth of the group's business is outside the UK, with continental Europe marked as its most immediate opportunity. Longer-term, the group is organising the 2,200 staff who work in the Asia/Pacific area into a separate business, and aims to use existing operations in Australia and New Zealand as a springboard into east Asia.

Organic growth has been boosted to 30 per cent by acquisitions. In 1992 the group entered a new area, air traffic control, when it bought International Aeradio, the civil aviation specialist, from BT for £12.3m.

The civil aviation services market has continued to develop well, with new contracts including consultancy work in central and eastern Europe. The company is now operating the Scatsta air terminal in Shetland for BP Exploration's Sullom Voe terminal.

In July last year, Serco paid £3.5m for BM Scotland, part of the Property Services Agency, the government's property management body. The company said this deal brought a further 378 contracts with existing government customers, which considerably strengthened its core business and enhanced its position in the separate Scottish market.

Mr White believes the principle of market-testing is now relatively non-controversial, so Serco will not suffer uncertainty when a general election approaches. He also says the group is ready to take on a large opportunity, although group gearing of 50 per cent means a large acquisition would seem likely to require a rights issue.

The government's recently restated determination to press ahead with subjecting more parts of the civil service to market forces bodes well for companies such as Serco. Mr White says of the BM deal: "These government sell-offs are almost a new form of privatisation."

GrandMet agrees terms over Absolut US rights

By Andrew Bolger

Grand Metropolitan, the food, drinks and retailing group, said it had agreed terms over the early transfer of its US distribution rights for Absolut vodka, the Swedish-owned premium brand, to Seagram, the North American drinks group.

Vin & Sprit, the Swedish wine and spirits company which makes Absolut, shocked GrandMet's IDV drinks division in October by announcing the transfer of the brand from September 1994. The reason for the switch appears to have been growing doubts at V&S about the future development of Absolut alongside GrandMet's own Smirnoff and Popov brands.

IDV yesterday said it had agreed to bring forward to February 1 the transfer of its distribution rights to Absolut in the US, Puerto Rico and the US Virgin Islands. A confidential settlement between the three parties compensated IDV for all the profits foregone between February and September.

Mr John McGrath, chairman and chief executive of IDV, said: "We consider it in everyone's best interest to agree the early transfer of the Absolut brand in the US to Seagram."

Letting lift for BAA offshoot

BAA, the airport operator, said Lynton, its property development and investment arm, had more than doubled the amount of office, retail, and industrial space it let last year to 815,000 sq ft – more than 18 acres.

In addition, 27 acres of development land were sold, and planning consent was achieved for a new 325,000 sq ft business park at Gatwick Airport.

Mr John O'Halloran, a director of Lynton, said he was delighted that the business had performed so well in what was still a very difficult letting market.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Royal Dutch Shell (UK/Netherlands)/Ferruzzi (Italy)	Joint venture	Chemicals	£4.5bn	Formal agreement at last
Deutsche Telekom (Germany)/Ameritech (US)	Matav (Hungary)	Telecoms	£590m	Biggest Eastern Europe privatisation
investor Grp (US/Italy)	Nuovo Pignone (Italy)	Gas turbines	£400m	GE leads 69% move
Unilever (UK/Netherlands)	Ortiz-Miko (France)	Food	£220m	Complementary ice-cream buy
ING (Netherlands)/Hochtief (Germany)	Ballast Nedam (Netherlands)	Construction	£175m	Replaces earlier Boskalis bid
Nova Corporation (Canada)	Natural Gas Clearinghouse (US)	Gas	£84m	Joining British Gas
ABN Amro (Netherlands)	Odier Bungener Courvoisier (France)	Banking	c£57m	Exact price to be fixed
BTR (UK)	Industrial Batteries (US)	Batteries	£14m	Gates continues sector withdrawal
CIA Group (UK)	CIA Medianetwork (Italy)	Advertising	£5.5m	Buying outstanding 55%
Brau und Brunnen (Germany)	Kamenitza (Bulgaria)	Brewing	£1.6m	Further investment promised

Toys 'R' Us has a better Christmas than expected

By Frank McGurty in New York

Toys "R" Us, the US children's retailing chain, yesterday announced that sales in the crucial Christmas shopping period were slightly better than expected.

The company also said that its founder and chairman, Mr Charles Lazarus, was relinquishing some of his responsibilities in what he described as "an integral part of our succession planning process".

In his place, Mr Michael Goldstein, vice-chairman, will take over as chief executive, responsible for overall corporate strategy, while Mr Robert Nakasone will assume the duties of chief operating officer, in charge of the company's day-to-day activities.

Sales for US stores opened at least a year were up 7.4 per cent in the eight weeks ended December 25, while title revenues showed a 14.9 per cent improvement to $3.4bn. Year-to-date sales climbed 10.8 per cent to $7.46bn.

International sales were not as buoyant, particularly in Germany, Japan and Spain, where economic conditions were sluggish.

Toys "R" Us attributed the overall improvement to its "everyday low pricing" policy as well as several merchandising initiatives. A 70-page catalogue mailed to 52m homes this autumn was especially effective in boosting sales.

The announcement ended the company's traditional year-end blackout on news related to its performance in the Christmas season, when most toy retailers are anxious to feed the market sales data. As a result, its stock is often volatile in the first half of January.

In the event, Toys "R" US not only beat the forecasts of most analysts, but turned in an admirable showing "if viewed in the context of what anyone would describe as challenging Christmas environment this year," said Ms Maureen McGrath, an analyst with Smith Barney Shearson in New York.

Nevertheless, Wall Street responded to the news by marking the stock down $1¼ to $39⅝ in early trading.

Ms McGrath said the stock's decline reflected disappointment with the executive changes, even though Mr Goldstein, 52, and Mr Nakasone, 46, were well respected by the investment community. "Anytime a machine is working and there is a change, the market will react negatively."

Mr Lazarus, 70, is expected to maintain an active role in the company, concentrating on its aggressive international expansion programme.

Apple plans global on-line service

By Tom Foremski in San Francisco

Apple Computer, the personal computer maker, plans to develop a global on-line service called eWorld that will be a key element in its strategy to increase profits after a troubled year of layoffs and top management changes.

The on-line service will be available in the US during the second quarter of 1994 and will be expanded to European and Asian markets later. Within five years Apple expects eWorld to produce annual revenues of several hundred million dollars and to attract several million subscribers.

Apple's eWorld will compete directly with market leaders Prodigy, Compuserve, America Online and Genie. The on-line service will offer different types of services and a special graphical user interface in which users can more easily gain access to services and find information.

Almost all Apple Macintosh computers sold in 1994 will contain eWorld communications software and a version for Windows systems will be available at the end of 1994. Owners of Apple's hand-held Newton MessagePad system will use eWorld to send electronic messages and to subscribe to news services.

Apple declined to say how much it is investing in eWorld which will be financed mostly from profits from the AppleLink on-line service which generates annual revenues of about $32m and has 60,000 subscribers, mostly software developers and Apple dealers. Mr Joshua Harris, on-line services analyst at New York based consultancy Jupiter Communications, said that Apple was late entering the market.

Sprint and British Telecom will provide Apple with communications links to its data centre in Napa, California, which will host the on-line service. Rival on-line services company American Online has licensed key software to Apple as part of a cross-technology licensing agreement.

De Crespigny hits a rough patch

Bruce Jacques looks at a rare Australian corporate 'tall poppy'

Until last week, the corporate career of Mr Robert J. Champion de Crespigny almost seemed to be fashioned by the gods. The Australian mining executive, head of the flourishing Normandy Poseidon gold empire, rejoiced in the oft-bestowed title of the country's only surviving entrepreneur.

The title has been well-earned. Since 1985, Mr de Crespigny has parlayed a A$500,000 position in an obscure Australian resource company into a web of companies which are today capitalised at close to A$5bn (US$3.3bn) and control annual gold production of well over 1m oz.

This heady growth record seemed set for another spurt in mid-December when a Normandy offshoot launched a A$260m takeover bid for Aztec Mining, the Australian affiliate of Alumax, the US metals group. But just days later, all was thrown into doubt with notification that Mr de Crespigny and one of his former executives were to be charged by the Commonwealth Director of Public Prosecutions.

Consistent with the aggressive style that has become his trademark, Mr de Crespigny took the unusual step of foreshadowing the charges himself through a note to the Australian Stock Exchange. The note said the charges would allege that Mr de Crespigny and then fellow executive Mr Thomas Meiklejohn failed to take reasonable steps to ensure that takeover documents delivered in 1989 did not contain misleading information.

Mr de Crespigny maintains that he is innocent of the charges and will defend them vigorously, but he admits they are bound to cause him "enormous personal damage". So far, no charges have been formally laid, but commercial judgment was swift, with initial falls in the share prices of most listed entities in the Normandy Poseidon group.

Pronounced "de krepney" and dubbed not so affectionately "discrepancy" by some of his gold industry rivals, Mr de Crespigny is one of the few surviving corporate tall poppies in a land renowned for lopping them off. No-one builds an empire like Normandy Poseidon without making some enemies.

Those on the receiving end of his many takeover forays have often accused Mr de Crespigny of being a front for Anglo American, the South African mining group. The Anglo group is Normandy Poseidon's biggest shareholder, with just under 20 per cent of the capital.

But few realistically dispute that de Crespigny, with the title of executive chairman, effectively controls the group with a personal interest of just 11 per cent. Other large shareholders include the AMP Society and the National Mutual group, Australia's two largest investment institutions.

This structure forms the basis of another snipe from de Crespigny's rivals – that he sits atop a convoluted corporate web much in the style of Mr John Spalvins' failed Adsteam group, with control often based on interests of less than 50 per cent.

Robert de Crespigny: heady growth record

Mr de Crespigny's aristocratic name is itself sufficient to make him an oddity in the rough and tumble Australian mining industry. But his aristocratic connections are distant. Mr de Crespigny's forbears lived in Normandy, hence the name of his flagship company. His family migrated to Australia via England in the 1850s, making Mr de Crespigny a fifth-generation Australian and the first to move from the family base in conservative Victoria to the racier atmosphere of Western Australia.

His group's current bid for Aztec has its ironies because Mr de Crespigny got his start in the mining industry as that company's finance director before going solo with a company called Amad.

Mr de Crespigny has always seen himself as a financial manager rather than a miner or explorer. His companies have grown through takeover rather than minerals discovery. He is seen as one of the most frugal managers in the business, shrewd in hiring top resource specialists.

Among a string of corporate deals since 1985, two stand out as shaping today's Normandy Poseidon. One was the successful raising of A$114m through equity issues just before the 1987 share crash. This financed the purchase of Poseidon, the most enduring remnant of Australia's infamous 1969-70 nickel boom. Poseidon now controls some of the country's lowest cost gold mines.

The other deal involved Mr de Crespigny in the A$350m sale of some key gold interests in 1987 to Mr Alan Bond, now a bankrupt. Mr de Crespigny was able to repossess the assets because an ailing Bond group could not meet the terms of the arrangement. This allowed Mr de Crespigny to emerge as a pivotal stake holder in Kalgoorlie's Golden Mile, at the centre of Australia's gold mining industry.

Mr de Crespigny has made a specialty of taking on some of the world's leading mining houses in corporate battles. Apart from the current joust with an Alumax associate, Mr de Crespigny has also locked horns with Freeport McMoRan and Newmont of the US and Germany's Metallgesellschaft.

As if to show he is an all-rounder, Mr de Crespigny has also performed on the defensive side, having fought off the unwanted attentions of TNT, the Australian transport group.

Austrian bank goes ahead 55%

By Patrick Blum in Vienna

Creditanstalt Bankverein (CA), one of Austria's three biggest banks, yesterday reported record provisional operating profits of Sch5.3bn ($434m) for 1993, an increase of more than 55 per cent on the Sch3.4bn achieved in 1992.

Mr Guido Schmidt-Chiari, managing board chairman, said the results were "the best the bank has ever posted," signalling a "clear trend reversal" after difficult years.

The improved earnings performance was due mainly to a steep rise in trading activity and profits which doubled to Sch2.4bn last year. It also benefited from favourable developments in the securities market.

Partial operating profits – interest plus fee income minus operating expenses – rose from Sch2.1bn in 1992 to Sch2.7bn last year. As other Austrian banks, CA has been under pressure to reduce operating costs which rose by 1 per cent last year to Sch8.5bn. Personnel has been reduced by 272 employees to 7,457.

Vote hits Rothman's shares in Malaysia

By Kieran Cooke in Kuala Lumpur

Shares in the Malaysian subsidiary of Rothmans International, the British tobacco giant, fell sharply on the Kuala Lumpur stock exchange yesterday following a weekend vote by Malaysian shareholders rejecting a plan to merge Rothmans operations in East Asia.

Rothmans of Pall Mall (Malaysia) shares, which opened at M$26 (US$9.70), closed down more than M$4 at M$21.40.

"There's a lot of speculation now about what Rothmans International intends to do," said a Kuala Lumpur broker. "In the short term, shareholders in the Malaysian company will see the value of their shares go down – but no one is too upset at the moment."

The shares have been trading strongly recently, rising from M$13.50 last November.

Rothmans International had planned to merge subsidiaries in Malaysia and Singapore with company operations elsewhere in East Asia. Rothmans planned to use the combined financial muscle of the new company for a big marketing drive in China and north-east Asia, where Rothmans still lags behind its competitors.

While shareholders in the Rothmans subsidiary in Singapore voted for the merger plan, Malaysian shareholders raised objections, saying that Rothmans intended to take cash out of the highly profitable local unit to finance a big marketing campaign in China and Japan.

Rothmans-made cigarettes now control about 55 per cent of the Malaysian market.

In the year ending March 31 1993, Rothmans Malaysian and Singapore units made a combined operating profit of $150.6m while Rothmans made combined losses elsewhere in the region of $30.3m.

Permodalan Nasional (PNB), a state controlled investment company and one of the biggest institutional shareholders in Rothmans (Malaysia) said it was against the new plan because "with the merger, the focus will . . . be diverted to East Asia".

Shareholders are now awaiting the next move by Rothmans International.

SAS in aircraft leaseback deal

By Hilary Barnes in Copenhagen

SAS, the Scandinavian airline group, yesterday announced a SKr3bn ($359m) sale and leaseback deal for six of its Boeing 767 passenger aircraft with an unnamed external partner and the sale of its SAS Royal Hotel in Cologne to a German investor group.

The aircraft transaction, which leaves SAS with a SKr800m capital gain, is an important step towards the airline's financial consolidation, SAS said. The group is carrying out a tough programme to cut costs by SKr2.5bn by the end of 1994 following a SKr1.1bn loss in the first nine months of 1993. The loss included unrealised exchange rate losses of SKr1.15bn, reflecting the depreciation of the Swedish krona since it was floated in November 1992.

A rise in the value of its aircraft of approximately the same order, however, was not entered into the profit and loss account, SAS said.

SAS said the SKr800m capital gain from the arrangement is "primarily a foreign exchange gain, which will neutralise most of the foreign exchange loss in 1993".

The group is still considering its options following the collapse of the Alcazar project at the end of November, which was to have brought about a merger between SAS, KLM, Swissair and Austrian Airlines to form a leading new European airline.

Safra group acquisition

By Ian Rodger in Zurich

Republic New York Corporation, the US holding company in the banking group controlled by Mr Edmond Safra of Geneva, has completed its acquisition of Mase Westpac, one of five members of the London Gold Fixing, from Westpac, the Australian bank.

Mase, with capital of £100m, ($148m) *is to be known as* Republic Mase Bank.

The Markets

THIS WEEK

Global Investor / **Peter Martin**

The big question is not where but when

Four questions hang over the developed world's investment outlook for 1994. What will happen to US interest rates? Is Germany really on its way out of recession? Will Japan's deflation take the economy into a black hole? And what does the future hold for China?

Answering these questions is easy. The tricky thing is estimating when the answers take effect.

Thus, I can say with complete confidence that US interest rates have seen their lows, and will move higher. Germany will recover from recession, and when it does, its economy will look much healthier than now seems possible. *Japan's deflation will end* short of a melt-down of the financial system, and will give way to a period of sustained growth, thanks to wide-ranging economic and social restructuring. And China will become the world's industrial powerhouse.

But when?

■ America first

The US story illustrates how hard it is to spot the end of a trend. Long-term US interest rates peaked at roughly 8½ per *cent in 1990, and fell steadily* till they brushed the 6 per cent level last autumn. Since then they have risen slightly. Short-term rates, also down to historically low levels, have not yet shown any signs of moving upwards.

At some point, the interest rate cycle will turn. European analysts generally think that, for long-term US rates, the turning point was last autumn. US analysts tend to think that the small run-up in yields since the autumn is a false signal, soon to be reversed.

This phase of the interest rate cycle still has a good few quarters to run, they say.

The pessimistic view would have you out of the US treasury market now, looking for *bonds with a better chance of* capital appreciation, such as Europe's high-yielders. The optimistic view would keep you in treasuries to profit from the reversal of the autumn's run-up in rates.

The outlook for short rates is subject to equally conflicting views. *The fourth quarter* seems to have been a period of strong economic growth, though we will have to wait till Friday's payroll and unemployment numbers to be sure. Inflation is still quiescent, though, and Thursday's money supply data are unlikely to pose any immediate threat.

Still, the Federal Reserve will probably start easing *short-term rates higher by spring. By how much?*

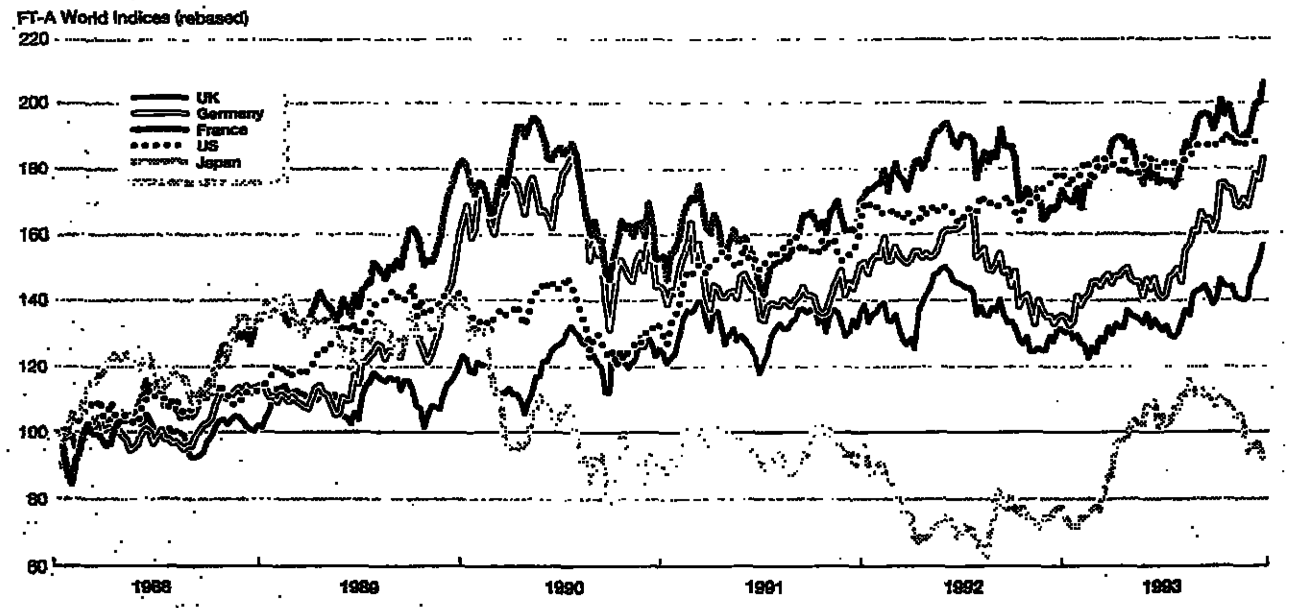
If the Fed plans a speedy return to traditional real interest rates, US short-term money could soon be anything up to 2¼ percentage points dearer, with much of the rise occurring this year. That would trigger a wholesale rush by individual investors back into savings instruments, leaving this year's favourites, bond and equity funds, looking badly mauled.

If rise in rates is largely symbolic, to show the Fed's determination to keep inflation *down, short-term rates are* likely to be no more than half a point higher by year-end. Individual investors will still find almost anywhere a better home for their savings than banks and money funds. And any fresh bond rally would be helped by the realisation that the Fed is keeping a watchful eye on inflation.

The balance of probabilities suggests that long-term rates *have* seen their lows for the cycle, but that the rise in short-term rates will be slower than the pessimists fear. Alan *Greenspan, the Fed's chairman*, is a master of gradualism. US rates, at both ends of the yield curve, are likely to be higher in December than they are now – but only a little higher.

The long haul in five big equity movements

FT-A World Indices (rebased)



Source: FT Graphite

■ *Germany's challenge*

Just before Christmas, Germany's economy presented a similar clash of views. The *optimists – mostly inside Germany* – argued that the recession was, in statistical terms, already over. Growth, still faltering, would resume solidly from the middle of the year. The pessimists saw a further contraction in the first part of 1994, with little sign of recovery before year-end.

Since then, a fierce confidence offensive by the optimists – especially by Günter Rexrodt, the economics minister – has swayed opinion their way.

From the point of view of *Germany's equity market, this* debate is all rather academic. Mr Eckhard Frahm, of Merck Finck in Düsseldorf, predicted a strong rally among German blue chips in 1993, on the back of lower interest rates expectations, high liquidity, completion of the Gatt talks and so on. He got it, in spades. The 47 per cent rise in the Dax index in 1993 understates the performance of some of the biggest *companies: Mannesmann rose* 86 per cent, Deutsche Babcock rose 83 per cent, Volkswagen, despite its legal wrangle with Opel, rose 82 per cent.

Mr Frahm is still positive about 1994, but the challenge for Germany – political worries apart – is to manage the shift from a liquidity-driven market to an earnings-driven one. He thinks this shift will start in the autumn, round about the time he expects the economy to pick up. He does not necessarily expect the market to make the transition *smoothly, predicting a hiccup* for share prices before investors focus on the much happier profit outlook for 1995.

That view, and the Dax's performance in recent months, both assume that the German economy is heading, sometime this year, into a normal cyclical recovery. If, instead, 1994 is as unhappy a year for the average citizen as 1993, then the voters will have every opportu*nity to show their distress*: there are 20 national, European and regional elections this year. The timing of Germany's recovery is perhaps more critical than the stock market's insouciance suggests.

■ *Japan's new* consensus

Calling the bottom in the Japanese economic cycle is just as hard. Quite apart from the still-not-properly digested effects of the 1980s bubble, *Japan faces a structural issue.* If German output is threatened by the millions of eastern European workers starting to be unleashed on the market system, Japan's is threatened by the growth of south-east Asia as the workshop of the world. Like Germany, Japan has been over-reliant on manufacturing.

Change is coming in both countries. Germany's private *sector is responding faster* than the public sector; in Japan, the reverse may be true. Large Japanese companies seem frozen by the crisis, unable to believe that manufacturing excellence alone is not enough.

The new Japanese government, despite its inherent weakness, is making a bolder stab at facing up to the new realities. The governmental paralysis in Tokyo – a prime cause of the stock market's dreadful performance in late 1993 – may in fact be preparing *the way for the emergence of a* new political/bureaucratic consensus.

That is only part of the precondition for another stock market boom; some sign that *corporate* Japan is also embracing a new era is also required. Optimists will be watching for the first indications of both in 1994; either would be better news than the market was able to count on in 1993.

■ China's myths

US investors were buying foreign equities at the rate of $2bn a week in the third quarter of last year, according to figures released yesterday by the Securities Industry Association. That's the equivalent, during the quarter, of *all* the shares available for purchase by foreigners in the Barings indices for Chile, Indonesia, *Korea, the Philippines* and Taiwan.

Much of the money went into Asia's soaring equities, analysed in more detail by Alexander Nicoll later in this section. But investors are attracted to the region not just because of the rapid growth of the south-east Asian tigers. Arguably a more powerful attraction, not for the first time this century, is the lure of China.

Its vast population enables anyone with a calculator that will handle billions to create fantasies of infinite growth. As *the Lancashire textile barons* said during their slump at the turn of the century: if every Chinaman added a foot to his shirt-length, there would be enough work to keep the mills of Oldham humming forever. (That, of course, was before the mills of Oldham were replaced by the mills of Guangdong.)

Up till now, western investors have had to buy into this proposition by proxy. But the most significant development of the turn of the year was the announcement of China's new unified exchange rate for the *yuan, an important step on the* road towards conventional *portfolio investment in China.*

As it gradually becomes possible to invest there directly, instead of through proxies, China will move out of the realms of myth and become a straightforward investment proposition. That will help it to become, as it surely will, the *main force for economic* growth sometime in the 21st century.

Getting there won't be easy, however: there is every sign, for example, that the current growth rate will provoke another overheating crisis sometime in the next 18 months. Opening up China to real investment will expose investors directly to the risks, as well as the rewards, of a *giant economy growing at* breakneck speed. It will make investing in the rest of the Pacific Rim a bit more exciting, *too.*

■ Shiny new ritual

The City's army of monetary economists have always lacked the sense of occasion created by the regular meetings of the Fed's Open Market Committee and the Bundesbank Council. Until now. The new sort-of-semi-independent status of Bank of England means that, in theory, *monetary policy will* be settled at the monthly meetings of the governor and the chancellor of the exchequer. The Bank will then be free to implement any changes at a time of its choosing, but before the next meeting.

The two next meet on January 12. Expect a flurry of excitement before each meeting, and an orgy of anticipation afterwards as the markets wait to see what, if anything, was decided. But what's to stop the chancellor picking up the telephone any day he chooses?

The total return tables which usually appear on this page were unavailable yesterday. They will be published in the Companies and Markets section tomorrow.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	122.0800	–	6.64	6.62	6.80
Belgium		9.000	03/03	118.0700	+0.070	6.34	6.50	6.83
Canada *		7.500	12/03	106.3000	–	6.62	6.66	6.84
Denmark		8.000	05/03	113.2000	+0.150	6.10	6.22	6.40
France	BTAN	8.500	05/98	112.0100	+0.010	4.99	6.04	6.07
	OAT	6.750	10/03	106.2600	+0.030	5.63	5.72	6.03
Germany		6.000	09/03	103.3700	+0.080	5.54	5.66	5.86
Italy		9.000	10/03	103.2000	–0.140	8.51†	8.44	9.47
Japan	No 119	4.800	06/99	111.7530	–0.020	2.37	2.43	2.60
	No 157	4.500	06/03	110.7200	–0.010	3.04	3.05	3.36
Netherlands		6.500	04/03	107.0700	+0.070	5.50	5.65	5.81
Spain		10.500	10/03	116.1300	+0.053	8.05	8.13	8.53
UK Gilts		9.750	01/98	114–21	–	5.61	5.69	5.93
		8.000	06/03	113–16	–	6.10	6.23	6.50
		9.000	10/08	124–24	–	6.39	6.52	6.74
US Treasury *		5.750	08/03	99–04	–17/32	5.87	5.81	5.78
		6.250	08/23	98–04	–20/32	6.39	6.30	6.27
ECU (French Govt)		8.000	04/03	114.5800	+0.480	5.91	6.06	6.39

London closing. *New York mid-day Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal *Source: MMS International*

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.92	131.00	+0.12	131.06	130.08	30,459	137,706
Jun	130.40	130.48	+0.10	130.48	130.28	29,961	10,302
Sep	129.62	128.58	-	129.62	129.62	2	2

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Jun
127	-	-	-	-	0.09	0.40
128	-	3.13	-	0.05	0.16	0.57
129	-	2.23	-	0.10	0.25	0.85
130	-	1.45	-	0.24	0.48	-
131	0.53	0.83	1.15	0.55	0.83	-
132	0.16	0.39	0.73	-	-	-

Est. vol. total, Calls 11,222 Puts 89,210. Previous day's open int., Calls 204,003 Puts 158,355.

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105.65	105.53	+0.17	105.83	105.48	11,516	78,088
Jun	105.74	105.44	+0.29	105.74	105.55	70	8,025

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	122.02	122.00	+0.04	122.02	121.98	180	12,284
Jun	-	97.50	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	114-16	113-30	-0-18	114-18	113-24	50,497	275,054
Jun	113-10	112-27	-0.19	113-11	112-22	1,524	12,551
Sep	112-08	111-27	-0.24	112-08	111-23	581	17,907

Economic Notebook / **Peter Norman**

UK inflation: a snake scotched but not killed

A year ago, the idea was radical: *now it is* commonplace. Pick up any brokers' circu*lar or attend a* City investment seminar, and the chances are that a key part of the message will be that the days of high inflation are over.

In Britain's case, the drop in inflation was certainly the surprise story of last year. In spite of sterling's steep devaluation after September 1992, headline inflation has fallen to 1.4 per cent – about the level in the early 1960s.

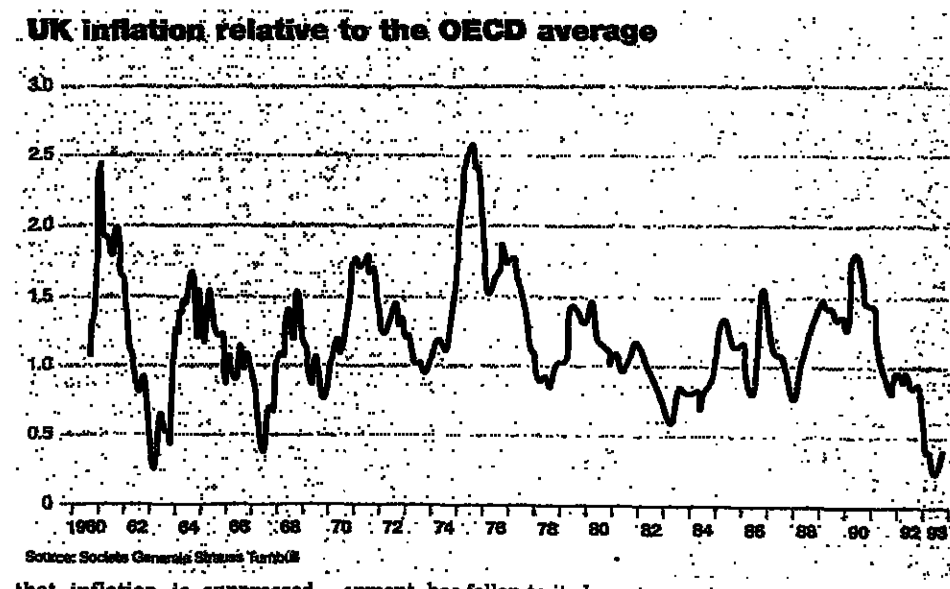
The latest figures, for November, put the government's chosen underlying rate of inflation, measured by the retail prices index less mortgage interest payments, at 2.5 per cent, the lowest level for 26 years and exactly in the middle of its 1-4 per cent target range.

Other recent price indications have been encouraging. Both the Confederation of British Industry and Income Data Services, an independent pay monitoring body, last week reported further slowing of pay increases in the private sector. The CBI's pay data bank showed manufacturing pay deals averaged only 2.2 per cent in the three months to November. Government figures show average earnings rising at an annual rate of 3 per cent, lower than at any time since a *temporary incomes policy in* the late 1960s. Although manufacturers' selling prices rose faster last year than in 1992, the post-devaluation rise in the cost of inputs has gone into reverse in recent months, aided by a sharp drop in oil prices.

But at the risk of sounding gloomy, it is too soon to declare an end to inflation. The disinflationary forces that built up during the recession and *the long period of high interest* rates and a strong sterling exchange rate that precipitated it have almost certainly passed their peak. It is as yet unclear whether last year's unexpectedly good price performance has eradicated the UK's long standing inflation mentality.

Adjusting after more than 20 years of high inflation is not easy and there are one or two straws in the wind to suggest that inflation is suppressed rather than dead.

UK inflation relative to the OECD average



Source: Societe Generale Strauss Turnbull

The indicative rates of return on investments of 6 and 12 per cent per year that are currently quoted by personal pension providers appear ambitious if the government is to be taken seriously when it says it aims to have underlying inflation in the lower part of its target range by the end of this parliament.

The tendency for companies to push up their margins aggressively wherever possible has troubled the Bank of England, which sees this as an example of behaviour that is out of tune with permanent low inflation.

The increase in margins coupled with higher activity as Britain recovers from recession should be reflected in improved profits this year. It would be characteristic, after a period of extended pay restraint, for the coincidence of improved profits, greater output and employment, and higher personal taxes from April to be reflected in increased pressure for higher pay. It would be equally in character for British managements to bow to such pay pressures.

A cautionary tale emerges from the accompanying chart prepared by Ian Harnett of Société Générale Strauss Turnbull in London. This shows how *UK inflation*, relative to the average of the 24 members of the Organisation for Economic Cooperation and Development, has fallen to its lowest level since August 1963. This suggests that domestic rather than global factors have been responsible for Britain's good inflation performance last year.

But Mr Harnett points out that such a good relative inflation performance in the past has been unsustainable. The UK and OECD *inflation rates* have typically equalised within a year of the trough, and usually through British inflation rising, rather than world inflation slowing.

There are grounds to hope that this pattern will not be repeated. International compe*tition in the* traded goods sector is intensifying, thanks partly to the rapid industrialisation and integration into the world economy of former developing countries in east Asia and Latin America. This trend will be enhanced by the recently concluded Uruguay Round of multilateral *trade* liberalisation negotiations.

There is probably still a considerable amount of slack in the UK economy. Last month, the OECD estimated that the gap between the UK's real and potential gross domestic product last year was 5.5 per cent: the second highest of the Group of Seven leading industrial countries. The UK Treasury, according to Professor Alan Budd, the government's chief *economic adviser*, has come to a broadly similar conclusion. It estimates the output gap at between 3 and 7 per cent.

But the wide range cited by Mr Budd at a post-Budget Commons Treasury and Civil Service Committee hearing also highlights the statistical uncertainty *surrounding the UK* economy. If you look at industrial output figures, the picture is one of a painfully slow and faltering recovery. Look instead at the 175,000 drop in unemployment in the first 11 months of last year or the steady rise in retail sales (*which* preceded the reports of buoyant trade in the shops before and after Christmas) and the picture is brighter.

Such uncertainties help explain why Mr Kenneth Clarke, the chancellor, and the Bank of England have not shared the City's enthusiasm for a rapid lowering of interest rates over the past few months. The inflation figures for the latest two months make it unlikely that the top of the government's target will be breached in the short term and give the authorities more scope to ease monetary policy in the event of a sudden slowdown in the economy. But the government and Bank are targeting inflation two years into the future.

Until we have seen how the economy in general, and wages in particular, respond to the higher taxes announced in last year's two Budgets, it will be too early to consign above average inflation in Britain to the history books.

EMERGING MARKETS: This Week

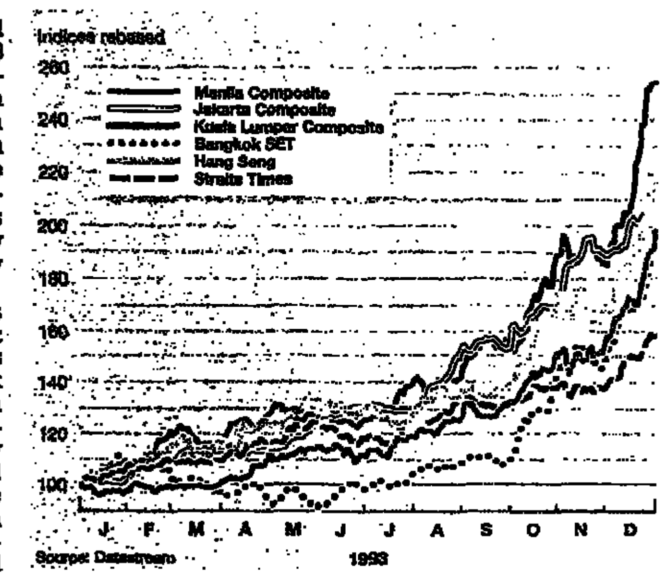
The Emerging Investor/ Alex Nicoll

Wary eyes focus on bullish Asian markets

Almost anybody who invested in emerging markets in 1993 will not be regretting the decision. Spectacular increases in many markets were well in excess of gains to be found in most developed countries. The combination of rapidly growing economies, solid earnings growth, and weight of new money was extraordinarily powerful.

But as the new year gets under way with a bang – eight Asian markets hit new records yesterday – investors may ask how long the good times can go on. Aren't emerging markets just a fad? Won't they soon come crashing down? Old Asia hands might say that the only new factor in their region has been the attention suddenly paid by foreign fund managers: dependably rapid development has been under way in Asia for a long time – even China, of which everybody wants to get a piece, has been reforming for over 15 years now.

The suspicion that it's just a game to the fickle foreigners was fuelled in 1993 by pronouncements about China from Morgan Stanley, the US investment bank. First it extolled China as the place to be (via Hong Kong). But a few weeks later the portfolio weighting was reduced to below the level of before the bullish remarks. What had appeared an important strategic statement turned out to be a short-term, profitable play.



Source: Datastream

Apart from underlying fear that international cash will flow on into the next investment wave, leaving emerging markets behind, there are signs causing concern in some markets – such as an abnormally high level of retail activity. Alarm bells should start ringing when brokers' analysis argues, however plausibly, that normal standards for price/earnings ratios do not apply because of the peculiarities of a particular market. Remember Japan?

How then should the investor approach emerging markets? A few points are worth bearing in mind by the investor who wants to be sure of making a strategic decision intended to bring benefits over the long term. The first is that, as the word "emerging" implies, the markets are not fully developed and are thus more risky than those in the industrialised world. This does not necessarily mean that the economic and political risks are greater, though they may be. The markets are smaller, less liquid, more volatile. They may be lacking in key areas of infrastructure: management of the stock exchange and its settlement mechanisms, standards of regulation and disclosure, transparency of corporate accounts, development of associated financial markets, restrictions on foreign investors, and the taxation system. Part of the investor's bet is that these handicaps will be removed over time.

Second, the term "emerging markets" covers a wide range of economies and political systems. No two countries can be regarded as essentially the same, even neighbours. Knowledge of individual countries – and of the companies within them – is vital. So is an ability to step back and examine the wider picture, analysing potential returns compared with other emerging as well as developed markets. Like the markets themselves, the information flow about emerging markets is still very much in the development stage.

The message from these points is that the ride is likely to be long and bumpy. In exchange for greater risk and need for costly specialist expertise, investors naturally expect a higher, sustained return. Rapid rates of economic growth maintained over many years will help to provide that.

But the effect of capital flows cannot be ignored. The plain fact is that, until now, sharp price gains have been seen partly because the amounts of foreign money, though perhaps quite small to the owners, are large for the markets into which they have been flowing.

Baring Securities estimates that a net $38bn (£26bn) was invested by foreigners in 1993 in the Pacific Rim (excluding Japan) and Latin America, double the amount in 1992. It expects a modest increase to $45bn in 1994. Even although it expects a tightening of US monetary policy eventually to trigger a scaling back of US investment abroad, it still forecasts that US investors will put $15-$20bn into emerging markets this year. Nevertheless, it warns that "it is prudent to scale down exposure to those markets which have been fuelled exclusively by foreign money of late."

Salomon Brothers argues that pension funds, which it classifies as "patient" investors in contrast to those with "hot" or "momentum" money, are likely to allocate a growing proportion of their growing pool to Asia. It says that this new money is unlikely to be removed quickly and "is a meaningful proportion of the current free float of these markets and could rise to a substantial percentage of the available equity."

While this would aid confidence if it proved true, it still means that the foreign investor who is in emerging markets for the long term has a problem. The impact of the capital flow to which he is contributing is an important factor in the strong performance of his portfolio. Only continued development of emerging economies and markets can correct the imbalance. But governments can help by allowing markets and the surrounding infrastructure to develop so that foreign investors, with better information and security, are less likely to pile out as quickly as they have piled in.

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	Week on week change %
Tapei Business Bank	Taiwan	4.56	1.13	32.94
China Trust	Taiwan	2.97	0.73	32.92
China Development	Taiwan	4.62	1.07	30.31
Chang Kwa bank	Taiwan	7.06	1.60	29.36
Hua Nan Commercial Bank	Taiwan	8.11	1.73	27.20
First bank	Taiwan	8.11	1.70	26.46
United Microelectronics	Taiwan	3.51	0.75	26.32
Finance One	Thailand	18.63	3.87	26.20
Cathay Life	Taiwan	9.09	1.77	24.24
Advanced Info Services	Thailand	44.09	8.27	23.08

Source: Baring Securities

News round-up

Taiwan

Taiwan's proposed stock capital gains tax is expected to have only a limited impact on the bull run which saw the market rise by 80 per cent in 1993.

Mr Lin Chen-kuo, finance minister, has proposed a complex tax with different rates for institutions and individual investors. If approved it would take effect on July 1.

Pakistan

The privatisation commission is to offer "a substantial number" of state industrial enterprises for sale in the next two months and is also examining the feasibility of privatising all public firms through the stock market.

South Korea

The Economic Planning Board has drawn up a reform plan to streamline management of dozens of state companies through privatisations and mergers.

The EPB said 42 state-run and funded companies would be privatised between 1994 and 1997.

Indonesia

Mr Sanyoto Sastrowardoyo, investment minister, has said that domestic companies can go overseas to list shares, selling up to a maximum of 30 per cent of their stakes, as long as proceeds are to be reinvested in Indonesia.

Philippines

The merger of the rival Manila and Makati stock exchanges should be completed this month, in spite of a sharp disagreement in financing a single equities market.

Hong Kong

The Stock Exchange has said it will be more strict in enforcing rules requiring stock issuers and their advisers to submit documents on time.

The exchange did not set new penalties for tardy compliance, but warned that listings could be delayed.

CURRENCY MARKETS

Sterling and dollar strength to be tested

The return of foreign exchange trading to normal this week after the Christmas and new year market closures will put the new-found strength of the dollar and sterling to the test, *write Peter Norman and Alan Pike.*

Sterling ended last year close to its year's high when measured on the Bank of England's trade weighted index and is expected to be well supported so long as economic recovery is sustained.

The dollar last week came close to its 1993 high against the D-Mark and was pushing against the Y112 barrier.

Many dealers expect that the US currency will continue to move upwards as liquidity in the market returns to normal and investors take account of recent favourable economic indicators and growing expectations that the Federal Reserve will have to tighten monetary policy.

By comparison, poor growth prospects for Germany and Japan have undermined the D-Mark and yen.

The dollar's strength poses a dilemma for the German authorities. Although hopes were high in December that the Bundesbank might decide at its first council meeting of the year on Thursday to lower its 5.75 per cent discount rate, the D-Mark's recent weakness could encourage a more cautious approach.

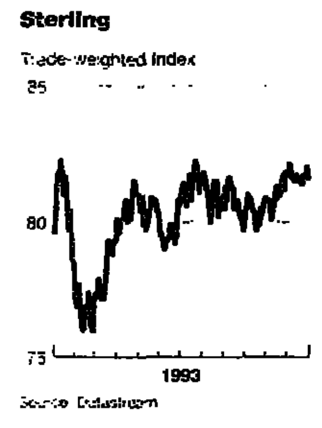
Last Friday, Mr Hans Tietmeyer, the Bundesbank president, reaffirmed the importance of a stable D-Mark and said the central bank would resist pressure for "generous" cuts in Germany's official interest rates.

He underlined that Germany would have trouble attracting foreign capital to finance its deficits if the stability of the D-Mark were jeopardised.

● Yesterday, with the London markets shut, trading elsewhere in Europe was quiet with low volumes. The D-Mark firmed slightly, and Mr Tietmeyer revived speculation of a German interest rate cut with comments in Sunday's Welt am Sonntag newspaper.

The Bundesbank president expressed the expectation that German inflation could fall below 3 per cent this year and commented: "Our policy also includes the possibility of further interest rate cuts in the event that the expansion of money supply weakens."

In France, the decision by banks to lower base rates from tomorrow fueled speculation that official rate cuts may follow soon.



Source: Datastream

Baring securities emerging markets indices

Index	31/12/93	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (239)	168.41	+6.10	+3.76	+23.92	+16.56	+67.35	+66.65
Latin America							
Argentina (19)	115.38	+6.46	+5.93	+17.48	+17.85	+41.12	+55.38
Brazil (18)	139.65	-1.85	-1.11	-0.14	-0.10	+61.74	+79.25
Chile (12)	147.54	+2.35	+1.62	+17.92	+13.82	+36.25	+32.57
Mexico (22)	161.27	+3.11	+1.96	+21.69	+15.54	+43.53	+36.97
Latin America (71)	149.50	+2.93	+2.00	+15.68	+11.72	+49.14	+48.96
Europe							
Greece (14)	83.09	+0.36	+0.44	+3.69	+4.65	+12.94	+18.44
Portugal (13)	112.13	-0.20	-0.18	+1.50	+1.36	+28.12	+33.47
Turkey (22)	161.71	+1.70	+1.06	+6.03	+3.87	+107.85	+200.21
Europe (49)	112.24	+0.43	+0.39	+3.33	+3.06	+42.12	+60.07
Asia							
Indonesia (17)	171.04	+7.28	+4.45	+16.48	+10.66	+73.60	+75.53
Korea (23)	109.70	+1.53	+1.41	+13.50	+14.04	+21.09	+23.80
Malaysia (21)	253.05	+8.63	+3.53	+43.40	+20.70	+124.02	+96.12
Philippines (9)	322.48	+23.63	+7.91	+92.52	+40.24	+200.02	+163.33
Thailand (20)	263.55	+19.86	+8.15	+52.20	+24.70	+141.30	+115.58
Taiwan (29)	153.71	+24.58	+19.04	+55.09	+55.87	+77.75	+102.36
Asia (119)	221.42	+13.72	+6.61	+45.16	+25.62	+108.82	+96.65

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 31, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2600.00	1899.76	973.066	1514.05
Albania	(Lek)	162.47	108.914	63.2375	98.3951
Algeria	(Dinar)	35.2305	23.8164	13.7149	21.3390
Andorra	(Fr Fr)	8.7357	5.9044	3.4001	5.2905
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.4070	8.3859	4.8291	7.5139
Germany	(D-Mark)	2.5692	1.7365	1	1.5559
Ghana	(Cedi)	1159.45	783.677	451.288	702.186
Gibraltar	(Gib £)	1.00	0.6759	0.3892	0.6056
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	44.5191	30.0899	17.3276	26.961
Panama	(Balboa)	1.4795	1	0.5758	0.896
Papua New Guinea	(Kina)	1.4425	0.9749	0.5614	0.8736
Paraguay	(Guarani)	2655.35	1794.96	1033.65	1608.32
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WORLD BOND MARKETS: This Week

NEW YORK
Frank McGurty

The tolerance of the US Treasury market apparently has its limits. Dealers had grown accustomed to report after report showing the economy expanding at a stronger than expected rate in the fourth quarter, and yields on longer-dated bonds remained fairly stable through most of December.

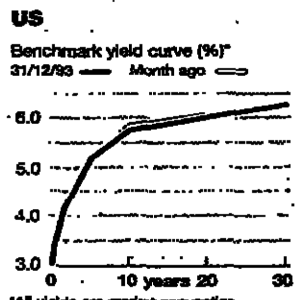
With the first indications of continued strength in the first quarter, however, the market has lost some of its composure.

Last week, news of a surge in new home sales rekindled fears of inflation and sent the yield on the 30-year issue up 10 basis points to 6.34 per cent. The jump was somewhat exaggerated by the low volume of trading.

Yesterday, the market began the new year with a further blow. The National Association of Purchasing Management said its December composite index, an important leading indicator, rose to 57.9 per cent, from November's reading of 55.7 per cent. It was the third straight increase and the index's highest level in a year.

In reaction, the benchmark 30-year issue dropped ¾ to 98, and the yield jumped to 6.396 per cent by midday.

At the short end, the two-year note was off 3/32 to 99 21/32, to yield 4.283 per cent. Some of the decline reflected follow-through selling after the holiday weekend.



*All yields are market convention
Source: Merrill Lynch

LONDON
Sara Webb

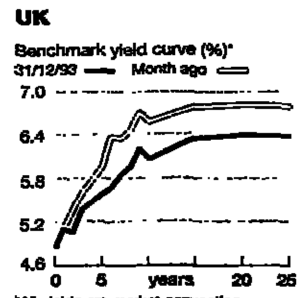
The UK government bond market continued its rally at the year-end and is likely to be buoyed by interest rate speculation this week, especially as all the European bond markets will be focusing on the Bundesbank Council meeting this Thursday in the hope of seeing a cut in the key German interest rates.

Hopes are high of a cut in the UK base rate – currently at 5.5 per cent – early on in 1994, and dealers say a 50 basis point cut has already been discounted by the gilt market.

Although trading was quite thin over the Christmas and new year break, the gilt market still made some headway and was the best performing government bond market in the week ending December 30, according to Salomon Brothers bond data.

Much of the focus was on the index-linked sector and the Bank of England took advantage of the interest, announcing four index-linked tap stocks on Thursday. The £750m of stock available consisted of £150m of 2½ per cent index-linked stock due 2001; £250m of 4⅜ per cent index-linked stock due 2004; £150m of 2½ per cent index-linked stock due 2013; and £200m of 4⅛ per cent index-linked stock due 2030.

Although the market was only open for half the day on New Year's Eve, the Bank sold out of the first two tap stocks.



*All yields are market convention
Source: Merrill Lynch

FRANKFURT
David Waller

Yields on German government bonds ended 1993 close to an historical low. This reflects investors' clear expectations that the Bundesbank will continue with its programme of cuts in "official" short-term interest rates during 1994.

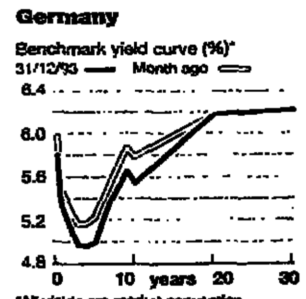
The first chance for the Bundesbank to cut rates will come at the meeting of the central bank's policy-making council scheduled for Thursday this week.

A public holiday in some parts of Germany means that many regional banks will be closed, so for that reason alone it is unlikely that the Bundesbank will cut the Lombard and discount rates from 6.75 and 5.75 per cent respectively.

But if January 6 is difficult from a timing point of view, so is January 20, the council's second meeting in 1994.

At around this time the January inflation figures will appear. The annualised inflation rate is likely to be 3.6 per cent – unchanged on the previous month as a result of tax increases – and the Bundesbank is said to be unlikely to send the wrong signals by making a cut in its headline rates.

Should monetary policy ease in January, it is likely to be via slow, small cuts in the securities repurchase rate – the repo rate – with which the Bundesbank guides money market rates.



*All yields are market convention
Source: Merrill Lynch

TOKYO
Emiko Terazono

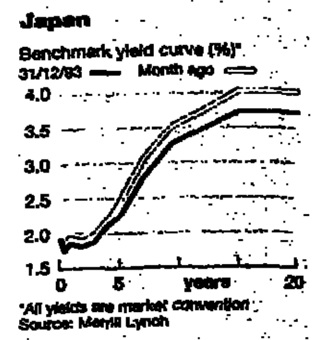
Growing expectations that the Bank of Japan will lower the nation's official discount rate this month to boost the domestic economy will lift the No 157 10-year benchmark government bond this first week of 1994.

The argument for lower interest rates was strengthened recently with economic data that revealed a 6.9 per cent year-on-year decline in the nation's retail sales for an 18th consecutive monthly drop, and a 2.8 per cent rise in Japanese unemployment, the worse figure in six years. Bleak corporate earnings reports will add more evidence to the case of easier credit.

A cut in the ODR rate, which is already at a record low of 1.75 per cent, is likely to prompt investors to move money from short-term debt into higher yielding, long-term securities.

Some investors still worry, however, that bond prices, after months of an extended rise, will soon decline on profit-taking. But this kind of anxiety is countered by the widely held view that weakness in the Japanese economy will continue, and that long-term interest rates will remain low. And brokers expect buying on dips.

Even an end to the bond gains will hardly result in an automatic transfer of monies into stocks.



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Sara Webb

Caution on scope for further gilts rally

Given the staggering rally in the UK government bond market last year, fixed income investors can be forgiven for wondering whether the party in the gilt market is well and truly over, or whether there are further gains to be made.

Last year was a bumper year for the gilt market: investors saw returns of about 20 per cent in what turned out to be one of the top performing government bond markets of the year. The redemption yield on the UK medium-term benchmark bond – which was 10 per cent in April 1992 – started 1993 at 8.33 per cent and ended the year at 6.1 per cent.

The gilt market rally was driven by expectations of a much improved inflation background and the prospect of cuts in the base rate, and took place despite initial concerns about the huge volume of gilts that the Bank of England would have to sell in order to fund the Public Sector Borrowing Requirement.

The November 30 Budget provided a further boost for the UK government bond market, as it emerged that net sales of gilts would be lower than expected in the next financial year.

Mr Kenneth Clarke, chancellor of the exchequer, forecast a diminishing PSBR over the next few years, implying a decline in supply in the gilt market. The Budget announcements, coupled with more good news on the inflation front, helped to spur another burst of activity in the gilt market in December.

Mr Jonathan Francis, head of global strategy at Putnam Investments of the US, says he has been enthusiastic about the prospects for gilts for several reasons: "After the Budget, we felt greatly encouraged by the funding requirement being lower. We also like the inflation outlook, which has turned around quite substantially in the last quarter."

Added to this, Mr Francis believes the UK looks attractive in "the pan-European context, as Europe could see some widespread political uncertainty, with elections in Germany and a general election in Italy (in 1994), which means that we see the UK as a relatively benign political environment."

However, while some UK and overseas investors see limited scope for further gains in the gilt market, others believe the market is now over-valued.

One leading European fund manager, who preferred not to be named, said: "The Budget, if you believe it, was good for gilts – it makes inroads into the PSBR. But there is a serious questionmark over whether tax increases and spending cuts can go through unamended in the years to come, given the nature of politics. A lot of the proposals are to be drawn over time so the question is whether the government will come up with other compensatory measures nearer the time."

Many fund managers admit that the gilt market has already surpassed their forecasts and targets. Ten-year gilts were yielding 110–120 basis points over comparable German government paper at the start of 1993: towards the end of December 1993, the yield spread had narrowed to around 50 basis points, defying earlier forecasts and expectations in the market.

Says one UK fund manager "As a house, we've been bullish on the gilt market all year, and the market has already hit our target, going through our forecast of 10-year yields at 6.5 per cent. But we are still very positive on the inflation front and that should give the market some support even if it goes sideways for a bit. We think the spread over other European bonds should continue to decline."

Mr John Hynes, global bond analyst at Fidelity, the big US fund manager, remains bullish on the gilt market for several reasons, and maintains that "even though there has been a rally since the Budget, there is still further to go and we feel there is value in the curve in the five to 10-year area."

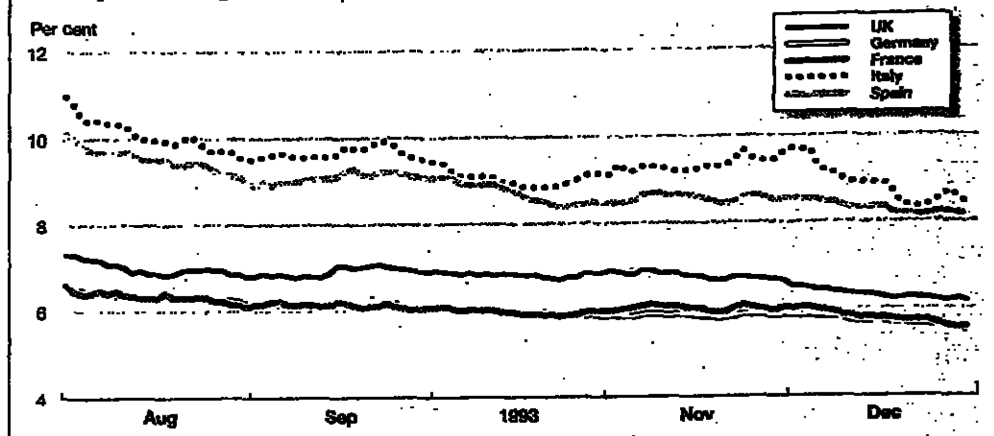
He points out that the positive shape of the yield curve means that investors can borrow cheaply at the short end to fund their longer positions: "The hedge cost is low because you can borrow at the short end and invest at the long end, whereas with Germany, the shape of the yield curve means it is more expensive to hedge. There are a lot of good stories out there in Europe, and we'll see a lot more rate cuts in Europe (in 1994) but the gilt market is the cheapest one in which to participate."

Mr Hynes adds: "In the UK, we expect to see a US-type situation of slow growth and low inflationary pressures which is good for the long end."

Mr Larry Teitelbaum, portfolio manager for global and international bonds at Scudder, Stevens & Clark, points out that "gilts are attractive versus the US and other Europeans, but we're not inclined to think the market will run away from the other Europeans as it has already outperformed".

In other words, even the more optimistic are cautious about just how much further the gilt market can rally. "There's been an enormous rally in gilts: the party is nearly over, but the punch hasn't quite run out yet," says Mr Ceris Williams, director of fixed income investments at Rothschild Asset Management.

European 10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.75	7.00¹	8.00	5.50²
Overnight	3.00	3.38	6.31	6.43	8.75	5.38
Three month	3.06	1.93	5.75	6.18	8.12	5.18
One year	3.59	1.68	5.07	5.37	7.81	5.08
Five year	5.22	2.12	5.01	5.01	8.37	5.59
Ten year	5.81	3.02	5.53	5.62	8.69	6.10

Rates as of 3/1/94. (1) France-Repo rate (2) UK-Base rate

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
"Shorts" (Lives up to Five Years)						
Treas 8½pc 1994	100 7/32xd	----	2,100	Au3 Fe3	29.12	4871
14½pc 1994‡‡	101½	-.1	550	Se1 Mr1	28.7	1307
Exch 13½pc 1994	102⅝	---	1,100	Oc27 Ap27	20.9	1257
Treas. 10pc Ln. 1994‡‡	102 [illegible]	---	1,900	De3 Je9	2.11	1284
Exch 12½pc 1994	104 [illegible]	-.1	1,240	Fe22 Au22	16.7	1263
Treas 9pc 1994‡‡	103 [illegible]	---	1,900	My17 Nv17	11.10	1345
12pc 1995	107 [illegible]xd	---	2,350	Jy25 Ja25	20.12	1394
Exch 3pc Gas 90-95	98	0.1	214	Nv1 My1	27.9	1271
10¼pc 1995	107 [illegible]xd	---	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡	113⅝	---	840	My15 Nv15	11.10	1298
14pc 1996	117 [illegible]xd	---	770	Jy22 Ja22	18.12	1305
15¼pc 1996‡‡	121 [illegible]	---	1,150	Nv3 My3	27.9	1309
Exch 13¼pc 1996‡‡	117 [illegible]	---	800	Nv15 My15	11.10	1268
Conversion 10pc 1996	112 [illegible]	0.1	3,409	My15 Nv15	11.10	1240
Treas 13¼pc 1997‡‡	121 [illegible]xd	0.1	1,290	Jy22 Ja22	18.12	1302
Exch 10½pc 1997	114 [illegible]	0.1	3,700	Au21 Fe21	15.7	1253
Treas 8¾pc 1997‡‡	110 [illegible]	0.1	5,550	Mr1 Se1	28.7	1341
Exch 15pc 1997	131 [illegible]	---	830	Ap27 Oc27	20.9	1269
9¾pc 1998	114 [illegible]xd	0.1	3,550	Jy19 Ja19	13.12	1273
Treas 7¼pc 1998‡‡	106 [illegible]	0.1	6,250	Ma30 Se30	24.8	-
7¼pc 1998 B‡‡	106⅛	0.1	1,600	Mar30 Sep30	-	-
Treas 6¾pc 1995-98‡‡	102	---	1,200	Nv1 My1	27.9	1331
14pc '98-1	131 [illegible]	0.1	970	Nv22 My22	18.10	1306
Five to Fifteen Years						
Treas 15½pc '98‡‡	140 [illegible]	0.1	935	Mr30 Se30	24.8	1308
Exch 12pc 1998	125 [illegible]	0.2	3,909	My20 Nv20	14.10	1259
Treas 9½pc 1999‡‡	116 [illegible]xd	0.2	1,900	Jy15 Ja15	9.12	1347
Exch 12¼pc 1999	128 [illegible]	0.1	3,050	Se26 Mr26	20.8	1264
Treas 10½pc 1999	121 [illegible]	0.2	1,252	Nv19 My19	13.10	1288
Treas 6pc 1999 ‡‡	101 [illegible]	0.3	3,900	Fe10 Au10	-	-
Conversion 10¼pc 1999	121 [illegible]	0.2	1,798	My22 Nv22	18.10	1242
9pc 2000‡‡	116 [illegible]	0.3	5,358	Se3 Mr3	28.7	1244
Treas 13pc 2000	136 [illegible]xd	0.2	3,171	Ja14 Jy14	8.12	1298
10pc 2001	122 [illegible]	0.3	4,406	Au26 Fe26	20.7	1280
7pc '01 ‡‡	108 [illegible]	0.4	3,250	My6 Nv6	-	-
9¾pc 2002	123 [illegible]	0.5	6,527	Fe27 Au27	21.7	1349
8pc 2003‡‡	113 [illegible]	0.4	7,600	Ja10 De10	3.11	-
10pc 2003	127 [illegible]	0.5	2,503	Mr8 Se8	2.8	1281
Treas 11½pc 2001-4	129 [illegible]	0.3	1,620	Se19 Mr19	13.8	1290
Funding 3½pc '99-4	88 [illegible]xd	0.6	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004	125 [illegible]	0.4	3,412	Ap25 Oc25	20.9	1246
Treas 8½pc 2004	105 [illegible]	0.4	3,250	My26 Nv26	-	-
6¾pc 2004 A (£50 Pd)	54 [illegible]	0.9	3,000	Mr26 No26	-	-
Conv 9½pc 2005	125½	0.4	4,842	Oc18 Ap18	13.9	1247
Treas 12½pc 2003-5	143 [illegible]	0.3	2,200	My21 Nv21	15.10	1235
7¾pc 2006‡‡	112 [illegible]	0.5	3,900	Mr8 Se8	2.8	-
8pc 2002-6‡‡	111⅞	0.5	2,000	Ap5 Oc5	1.9	1334
Treas 11¾pc 2003-7	136 [illegible]xd	0.3	3,150	Jy22 Ja22	18.12	1293
Treas 8½pc 2007 ‡‡	119 [illegible]xd	0.6	5,497	Ja16 Jy16	10.12	1339
13½pc '04-8	151 [illegible]	0.4	1,250	Se26 Mr26	20.8	1301
Over Fifteen Years						
Treas 9pc 2008 ‡‡	124 [illegible]	0.5	5,321	Ap13 Oc13	6.9	1343
8pc 2009	115 [illegible]	0.4	3,100	Mr25 Se25	19.8	1336
Conv 9pc Ln 2011 ‡‡	126 [illegible]xd	0.5	4,273	Ja12 Jy12	8.12	1245
Treas 9pc 2012‡‡	127 [illegible]xd	0.6	5,150	Fe6 Au6	31.12	1701
Treas 5½pc 2008-12‡‡	93⅞	0.7	1,000	Mr10 Se10	4.8	1330
Treas 8pc 2013‡‡	117½	0.5	4,950	Mr27 Se27	23.8	-
7¾pc 2012-15‡‡	114¾xd	0.5	800	Jy26 Ja26	20.12	1332
Treas 8¾pc 2017‡‡	128 [illegible]	0.7	6,950	Fe25 Au25	19.7	1982
Exch 12pc '13-'17	158 [illegible]	0.4	1,000	Ja12 De12	5.11	1280
Undated						
Consols 4pc	59¾xd	1.3	359	Fe1 Au1	29.12	1239
War Loan 3½pc‡‡	54¼xd	0.5	1,909	Ja1 De1	25.10	1352
Conv 3½pc '61 Aft.	70⅞	0.4	119	Ap1 Oc1	25.8	1243
Treas 3pc '66 Aft.	44⅛	1.1	56	Ap5 Oc5	1.9	1324
Consols 2½pc	38½xd	1.1	276	5JaApJyOc	1.12	1238
Treas. 2½pc	37⅞	1.1	475	Ap1 Oc1	25.8	1315

Notes		Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	138 [illegible]	----	500	Nv16 My16	11.10	5070
2pc '96	(67.9)	203⅛	-.1	1,200	Mr16 Se16	10.8	1313
4⅝pc '98‡‡	(135.6)	113 [illegible]	0.1	800	Ap27 Oc27	30.9	-
2½pc '01	(78.3)	176 [illegible]	0.5	1,350	Mr24 Se24	18.8	1316
2½pc '03	(78.8)	173 [illegible]	0.6	1,050	Nv30 My20	14.10	1317
4⅜pc '04‡‡	(135.6)	118 [illegible]	0.6	800	Ap21 Oc21	14.9	-
2pc '06	(69.5)	184 [illegible]xd	0.6	1,550	Ja19 Jy19	13.12	1314
2½pc '09	(78.8)	168 [illegible]	0.7	1,550	Nv20 My20	14.10	1318
2½pc '11	(74.6)	175⅝	0.8	1,800	Fe23 Au23	19.7	1319
2½pc '13	(89.2)	146⅛	0.8	2,150	Fe16 Au16	12.7	1320
2½pc '16	(81.6)	157 [illegible]xd	0.9	2,400	Ja26 Jy26	20.12	1321
2½pc '20	(83.0)	152 [illegible]	0.9	2,400	Oc16 Ap16	9.9	1322
2½pc '24‡‡	(97.7)	129 [illegible]xd	1.0	1,900	Ja17 Jy17	13.12	1323
4⅛pc '30‡‡	(135.1)	128 [illegible]xd	1.1	1,100	Jy22 Ja16	16.12	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1993: 140.6 and for November 1993: 141.6.

Other Fixed Interest

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11⅛ 2010	142	1.2	50	Ja4 Jy4	1.12	-
Asian Dev 10¼pc 2009	133 [illegible]	1.8	100	Mr24 Se24	28.3	-
B'ham 11½pc 2012	135	---	45	My15 Nv15	17.4	1837
Ireland Cap 8½pc '10	113¼	---	304	Ap1 Oc1	-	1485
9pc Cap 1996	102⅝	---	725	Ja30 Jy30	-	-
13pc '97-2	115	---	315	Ap1 Oc1	28.8	1428
Hydro Quebec 15pc 2011	169 [illegible]	1.3	40	My31 Nv31	27.10	-
Leeds 13½pc 2006	145¼	---	40	Ap1 Oc1	12.3	3146
Liverpool 3½pc Irred	43¼	---	5	1JaApJeOc	1.6	3169
LCC 3pc '20 Aft	39	---	26	1MrJeSeDe	1.8	-
Manchester 11½pc 2007	131½	---	7	Ap25 Oc25	30.3	3275
Met. Wtr. 3pc 'B'	75	---	25	Mr1 Se1	7.8	3361
N'wide Anglia 3⅞pc 2021	145¾	---	60	Ja30 Jy30	8.1	3465
4⅛pc IL 2024	140¼	---	50	Fe23 Ap23	30.7	-
Utd Mex States 16½pc 2008	155	---	50	Mr1 Se1	27.8	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Tracy Corrigan

1993 will be a hard act to follow

Falling interest rates, rallying bond markets, yield-hungry investors and further liberalisation of regulatory constraints helped make 1993 the best ever year for the Eurobond market. The volume of new issues rose to a record level of nearly $400bn in 1993, up 45 per cent on the previous year, according to Euromoney Bondware, and many securities houses and investment banks posted record profits on the fixed income side of their business.

The number of borrowers from emerging markets increased substantially as investors became more willing to take on lower-rated debt in return for additional yield and in the hope of realising capital gains as the creditworthiness of these borrowers improves. Latin American issuers more than doubled their borrowing to $45.7bn and South East Asian issuance rose by nearly 20 per cent to $50.4bn.

At the other end of the spectrum, sovereign borrowers stepped up their activity in order to plug widening deficits resulting from the prolonged economic slowdown or to replenish foreign currency reserves in the wake of a series of currency crises.

The dividing line between Eurobonds, international and domestic bonds – and between bonds and medium-term notes – became increasingly irrelevant, as international investors broadened their horizons to take advantage of opportunities, wherever they appeared.

The "global" bond became more widely used. Last year saw the first D-Mark denominated global bond, as well as the first global offerings for emerging market borrowers.

Most currency sectors showed strong growth. In Europe, only the Ecu market moved in the other direction, with a drop in volume from $21.7bn to $7.1bn.

The search for higher yields encouraged investors to lengthen the duration of portfolios. The proportion of new issues maturing in 10 years rose to 26 per cent and 11 per cent were even longer-dated.

While the fixed-rate sector of the market remained predominant, expectations that US interest rates are bottoming out encouraged interest in the floating-rate note market, which represented 17 per cent of new deals.

The growth of the Eurobond market across a broad range of currency sectors favoured the large US houses, which have tried to developed trading and sales across the whole spectrum of currencies.

Goldman Sachs displaced Deutsche Bank as the top bookrunner in 1993. Other Wall Street firms which performed well last year were Morgan Stanley in third place, up from a poor 16th in 1992, Lehman Brothers which rose from 14th to 6th and Salomon Brothers, which recovered from 13th to 8th place. Against the trend, J. P. Morgan dropped from 5th to 10th place.

The Japanese securities houses, which dominated the league tables in the late 1980s, lost further ground, with Nomura managing only 7th position, down from 2nd, and Nikko and Daiwa falling to 13th and 14th respectively.

Although the sterling market recorded the fastest growth of any currency sector last year, the highest ranking for a UK house was 17th position for S. G. Warburg, up from 19th the previous year.

The recovery of investor interest in floating-rate notes allowed Kidder Peabody to edge back into the top 20, up from 23rd last year.

While the market is expected to remain active in 1994, dealers do not expect a frenzy of activity in the first few weeks of the year, as there was at the start of 1993. Tight swap spreads are likely to limit arbitrage opportunities. Further, as interest rates stop falling later in the year, the climate for heavy issuance could become less favourable.

The Eurobond market has grown steadily throughout its 30-year history, posting record volume in many years, but 1993 could prove a hard act to follow.

TOP EUROBOND LEAD MANAGERS

	1993				1992			
Manager	$bn	Rank	%	Issues	$bn	Rank	%	Issues
Goldman Sachs	26.86	1	6.72	95	14.22	4	5.15	56
Deutsche Bank	25.08	2	6.27	76	21.83	1	7.91	73
Morgan Stanley	18.42	3	4.61	79	6.26	16	2.27	29
CSFB/Credit Suisse	18.16	4	4.54	80	16.74	3	6.07	69
Merrill Lynch	18.02	5	4.51	89	12.22	6	4.43	57
Lehman Brothers	17.45	6	4.36	83	6.59	14	2.39	49
Nomura	16.88	7	4.22	67	19.60	2	7.10	86
Salomon Brothers	16.72	8	4.18	60	6.74	13	2.44	30
Paribas	13.79	9	3.45	56	12.05	7	4.37	45
JP Morgan	12.22	10	3.06	55	12.69	5	4.60	41
Industry totals	†399.85		100	1975	275.91		100	1363

† Preliminary Figures - Full credit to book runner

Source: Euromoney Bondware

EUROBOND ISSUES BY CURRENCY

1993 Rank	Currency	Total raised ($bn)	No. of issues	1992 Rank	Total raised ($bn)	No. of issues
1	US$	153.11	791	1	103.33	515
2	D-Mark	53.11	150	3	33.18	142
3	Yen	44.11	274	2	34.34	161
4	Sterling	43.68	201	4	22.81	99
5	FFr	39.33	147	5	22.73	107
6	C$	29.41	167	7	16.04	89
7	Guilder	12.67	60	9	7.44	46
8	Lira	11.70	82	8	7.83	37
9	Ecu	7.17	21	6	21.71	84
10	A$	3.52	42	10	4.95	56

Source: Euromoney Bondware

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Subic Power Corp.(a)	105	Dec.2008	9.50#	99.933R	9.513	+385(7½%-01)	Bear Stearns Intl.
Sanwa Finance Australia‡	50	Jan.2004	(b)	100.00	-	-	Sanwa International
Baesa(a)	60	Dec.2000	8.50#	99.8962R	8.520	+315(5½%-00)	Oppenheimer Intl.
Urban Mortgage Bk.of Sweden‡	60	Sep.1995	(c)	99.975R	-	-	Salomon Brothers Intl.
MBL Finance (Curaçao)(o)‡	140	Jan.2004	(p)	100.00	-	-	Mitsubishi Finance Intl.
MBL Finance (Curaçao)(o)‡	70	Jan.2006	(q)	100.00	-	-	Mitsubishi Finance Intl.
Nissan Intl.Finance(Neths.)‡	100	Jun.1998	(r)	100.45	-	-	Fuji Intl. Finance
Federal Home Loan Mtge(s)	300	2023	(u)	(s)	-	-	Greenwich Capl. Mkts.
Banco de Boston(v)‡	60	Jan.2002	(w)	100.00R	-	-	Salomon Brothers Intl.
D-MARKS							
Trinkaus & Burkhardt Finance	200	Jan.2001	5.50	100.85	5.334	-	Trinkaus & Burkhardt
STERLING							
Confederation UK Holdings	50	Dec.2003	8.50	99.25R	8.615	+225 (8%-03)	SG Warburg Securities
YEN							
Petrobras(f)	21bn	Jan.1997	5.875	100.00R	-	-	Nomura International
International Finance Corp.‡	10bn	Jan.1999	(d)	105.85	-	-	Nikko Europe
SBAB‡	30bn	Jan.1999	(k)	107.18R	-	-	Merrill Lynch Intl.
Japan Airlines Co.‡	30bn	Jan.1998	(l)	104.305	-	-	Nikko Europe
Eurofima‡	25bn	Jan.2001	(m)	107.92R	-	-	Nikko Europe
Mitsubishi Electric Corp.(c)	20bn	Apr.2000	3.30	101.775	-	-	Mitsubishi Finance Intl.
Euro. Coal & Steel Comm.‡	11.2bn	Jan.2001	(n)	108.60R	-	-	Mitsubishi/ Nikko
Mitsui Toatsu Chemicals(g)	10bn	Jan.2001	3.50	100.25R	-	-	Sakura Finance Intl.
Hankyu Dept. Stores(f)	10bn	Apr.1999	3.00	100.35R	-	-	Sanwa International
Swedish Export Kredit‡	10bn	Jan.1999	(o)	108.09R	-	-	IBJ International
Spintab‡	25bn	Jan.1996	(w)	100.551R	-	-	Nomura International
FRENCH FRANCS							
Société Générale	2.2bn	Jan.1996	5.25	99.79R	5.364	+30 (9%-96)	Société Générale
Soc. Gén. Acceptance‡	800	Apr.2004	(e)	99.50R	-	-	Société Générale
Société Générale(f)	800	Jan.1996	5.25	99.94R	5.282	+26 (9%-96)	Société Générale
CANADIAN DOLLARS							
General Electric Cap.Corp.(c)	125	Dec.1999	6.00	99.70R	5.920	+15 (5¼%-99)	Wood Gundy
Bayerische Landesbank(c)	250	Dec.1999	6.00	98.65R	6.24	+25 (5¼%-99)	Wood Gundy
Canada 6½% 2001(Cay.)(c)	150	May.2001	6.50	99.20R	6.65	+32 (h)	Wood Gundy
ITALIAN LIRE							
Kommunekredit	150bn	Jan.2004	8.00	101.75	7.742	-	Banca di Roma
SWISS FRANCS							
European Sovereign Invs.★‡	150	Jan.1997	(i)	100.50	-	-	Credit Suisse
CCF(j)‡	100	Jan.1999	(j)	100.50	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ★Private Placement. #Semi-annual coupon. R: fixed re-offer price. a) Amortisation in equal instalments from 28/12/94. Average life 8 yrs. b) Coupon: 6-mth Libor to 21/1/97 and 9% bid annual thereafter. Callable on any int payment date from 21/1/97 at par. c) Short 1st coupon. d) Coupon: 6-mth Libor flat. e) Callable on 28/12/97 at 103% declining 1% per annum. f) Short 1st & 2nd coupons. g) Coupon: 6-mth Libor +0.6%. h) Spread is over interpolated yld curve. i) Issue launched on 6/12/93 was increased to SFr200m. Coupon: 4% to 11/7/94 and 6-mth Libor -⅛% thereafter. j) Coupon: 3-mth Libor -0.2%. k) Coupon: 3-mth Libor +1.5%. l) Coupon: 12-mth Libor +0.9%. m) Coupon: 6-mth Libor +0.75%. n) Coupon: 6-mth Libor +0.8%. o) Coupon: 1.5 x 3-mth Libor. p) Series 14. Coupon: 5⅝% until 20/1/99 and 6-mth Libor +1% thereafter. Callable from 20/1/99 at par. q) Series 15. Coupon: 6% until 20/1/01 and 6-mth Libor +1.2% thereafter. Callable from 20/1/01 at par. r) Coupon: 3-mth Pibor flat. Short 1st coupon. s) Coupon: 7% fixed for 1st 6 mths and 14¼% - 1.85 x 3-mth Pibor thereafter. t) Issue launched on 23/12/93 was increased to FFr3bn. u) Various tranches to be set with weighted average coupon and maturity of 7.55% and 356 mths respectively. v) Coupon: 6-mth Libor +3.63%. Callable and puttable on int payment dates from Jan.1997 at par. Dollar complaint language. w) Coupon: 3-mth Libor +0.2%. Long 1st & short 2nd coupons. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK

Frank McGurty

A seamless transition to the new year

After plodding ahead for most of the year, it was somewhat ironic that Wall Street finished 1993 with a flurry. The final hour of trading brought a wave of program-related selling, and an 8-point gain in the Dow industrials was transformed into a 21-point decline in minutes.

If the swing seemed to presage a more mercurial tenor for 1994, the first hours of trading in the new year brought reassurance. Stocks were inching ahead yesterday morning, resuming the steady course that characterised the market through most of last year. Analysts generally expect a seamless transition from 1993 to 1994.

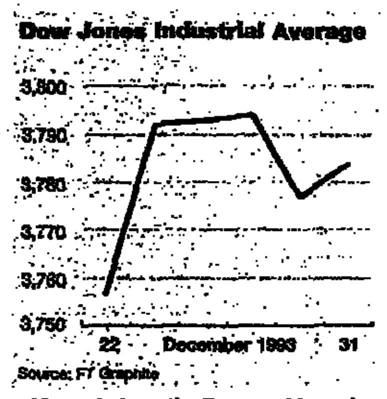
In contrast to years past, there were no flights of euphoria in the waning days of December, when investors traditionally load up on their winning positions and pick up bargains among under-achievers.

A 35-point jump in Dow Jones Industrial Average last Monday – its biggest gain since July – may have whet appetites for a strong year-end rally. But true to current form, the advance was followed by two miserly days when the Dow added just fractions of a point.

The road became rockier on Thursday when the US Treasury market, after weeks of resilience, suddenly grew skittish on news of a burst in new-home sales. The inflation-sensitive 30-year government bond took a pounding. In turn, the Dow dropped 18 points, and a further 21 points on the last day of the year.

Bond prices weakened further yesterday after the National Association of Purchasing Management revealed stronger-than-expected data on new orders last month, and equities were again constrained.

Dow Jones Industrial Average



Source: FT Graphite

Nevertheless, the Dow could reach the 3,800 level for the first time ever in the next few days. One of those who takes this view is Mr Laszo Birinyi, a Connecticut-based market strategist, who says the focus on the fixed-income markets has been overplayed. "The bond market really has been a very convenient excuse. When we want to ignore it, we do so."

He believes the hesitant sense of optimism that helped the market last year will continue to push stocks forward in the early part of 1994. "The market must accept the importance of faith at this point," he says.

Mr Birinyi sees more steady gains across the board, with particular improvement in some of consumer non-durable issues, such as Eli Lilly, Bristol-Myers and American Home Products, which have largely been overlooked in recent months.

Mr Greg Nie, technical analyst for Kemper Securities in Chicago, agrees that the market will maintain a positive bias. He says the market should survive the first quarter without a big correction, but he sees stocks as growing increasingly vulnerable as the year unfolds.

"The market will have a tough time handling mistakes. Any surprises – whether political or economic – will cause problems," he warns.

His theory may be put to an early test on Friday, with the release of December non-farm payroll figures.

LONDON

Terry Byland

Cautious note may temper the bull run

The first trading week of the new year will bring more than the usual crop of doubt, optimism and wild surmise on the London stock market. The beginning of January has often been a highly productive time for investors – even if this did not always last for the rest of the month. Until the very end of the old year, it looked as though nothing could prevent a happy new year from following a very merry Christmas.

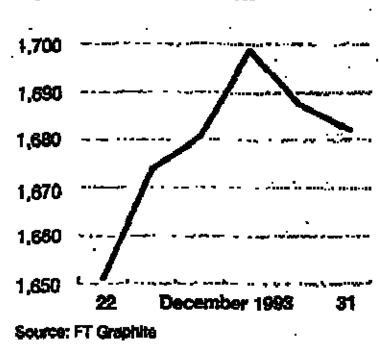
There is no shortage of bullish forecasts for 1994. Mr Nick Knight, the super bull at Nomura, is predicting a further rise of more than 8 per cent on the Footsie by the end of January, and while not many would be in such a rush, there is plenty of optimism in the City.

Nor is this confined to the big institutions and their rated advisers. A survey by ShareLink, the Birmingham execution-only stockbroker, indicates that UK private investors, of whose business ShareLink claims the lion's share, are "clearly taking a bullish view of prospects".

But a note of caution has been heard in stockbroker trading rooms since details have emerged of the reasons behind the huge upsurge in stock index futures during December, which itself lay behind the rise in the Footsie Index.

The futures buying, it appears, was related to expiry of a £4bn over-the-counter share option programme by a very large UK institution. The programme, put in place just ahead of the November budget, went badly wrong and the hapless fund manager had to run for cover to the Footsie futures market. The expiry of this deal withdrew support from futures and thus hit the stock market, probably

FT-A All-Share Index



Source: FT Graphite

robbing Mr Knight of fulfilment of his Footsie 3,500 target for 1993.

OTCs are a fairly new and highly specialised animal on the stock market, encased in mystery because they are private deals between one, usually very large securities house, and one, also very large, client.

Whatever may be the benefits and perils of OTCs, they can have a significant effect, via futures, on share prices. Traders are convinced that there are more OTC deals very close to expiry and wary of seeing the futures market turn round and bite the stock market in return.

The other area where market views are shifting is on the timing of the next cut in base rates. Once again, there is general agreement that a base rate cut there will be; perhaps the Bundesbank will lead the way, or perhaps the low inflation scenario in the UK will be enough to guarantee further falls in rates.

However, some analysts now warn that Mr Kenneth Clarke, the UK chancellor, may choose to keep rate cuts in reserve for next spring when the UK economy, and the voters, will be taking the strain of the Budget tax increases. The same factors could also be putting the stock market under pressure by then.

What the stock market would like to see this week is a base rate cut and no OTC expiries. But what if these heartening images are transposed? No rate cut and a OTC expiry might be another story.

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan. 1	12 month: High		Low		1993: High		Low	
FT-SE 100	3,418.4	+1.8	+20.1	+20.1	3,462.0	29/12/93	2,737.6	19/1/93	3,462.0	29/12/93	2,737.6	19/1/93
Dow Jones Ind.	3,754.09	-0.1	+13.7	+13.7	3,794.33	29/12/93	3,241.95	20/1/93	3,794.33	29/12/93	3,241.95	20/1/93
Nikkei 225	17,417.24	+1.6	+2.9	+2.9	21,148.11	13/9/93	16,078.71	29/1/93	21,148.11	13/9/93	16,078.71	29/1/93
Dax	2,266.68	+2.0	+46.7	+46.7	2,266.68	30/12/93	1,516.50	13/1/93	2,266.68	30/12/93	1,516.50	13/1/93
CAC 40	2,268.22	+0.7	+22.1	+22.1	2,281.89	29/12/93	1,772.21	29/1/93	2,281.89	29/12/93	1,772.21	29/1/93
Banca Com. Ital.	619.47	+0.8	+38.8	+38.8	632.86	30/8/93	446.33	1/1/93	632.86	30/8/93	446.33	1/1/93

FT Graphite

OTHER MARKETS

Little in the way of corporate results is due this week. Instead, attention will once again return to the outlook for lower European interest rates. However, NatWest Securities does not believe that Germany will provide a lead by cutting the Discount rate when the Bundesbank Council holds its first meeting of the new year on Thursday, because of the Epiphany holiday in Catholic Länder. Instead, it believes that January 20 is a better bet.

Other continental European markets closed on Thursday will include Athens, Milan, Madrid, Stockholm, Helsinki and Vienna.

FRANKFURT

November industrial production figures during the week are expected to show a further monthly decline while James Capel forecasts a 0.5 per cent rise in November industrial orders, reflecting a seasonal bounce in domestic orders. The broker notes, however, that in underlying terms, only export orders are staging a recovery.

PARIS

The French government is expected to announce this week its decision on the terms of the sale of the cable operations of Caisse des Depôts et Consignations (CDC) cable unit, ComDev, for which Générale des Eaux and France Telecom are said to be in contention.

October trade figures on Friday are expected to reveal falling exports and rising imports, resulting in a FFr6bn trade surplus, sharply down from the FFr9.6bn surplus in September.

AMSTERDAM

The Amsterdam stock exchange has this week adopted the European Options Exchange index of 24 leading Dutch shares. The index, unchanged in content and calculation, will be called the Amsterdam EOE Index (AEX).

TOKYO

Small-lot buying by investment trust managers and financial institutions will support the Nikkei Stock Average of 225 issues this first week of 1994. Chart analysts expect Japanese equity prices to trade in a narrow range of 17,000 to 17,700.

Brokers predict limited stock gains and moderate trading volume amid an absence of compelling reasons to enter the market.

Investors will also be awaiting further details on the timing and content of the government's proposed economic stimulus package.

RISK AND REWARD

An independent stands up to the pressure

Locals, the independent traders who once dominated the futures pits of Chicago, are gradually being squeezed out of the market by the weight of capital of the world's largest banks and securities houses.

However, a few of these traders, whose business grew rapidly in the profitable years before the arrival of the mainstream investment banks, have been able to expand into new areas.

One such trader is Thomas Baldwin III, a self-made multi-millionaire who built his fortune and his reputation in the competitive rough and tumble of the Chicago Board of Trade's US Treasury bond futures pit.

In a business where 80 per cent of new arrivals fail within a year, the 37-year-old son of a St. Louis, plumbing contractor is a heavy-hitter who regularly swaps $50m positions in the bond futures pit

Fellow traders say that Baldwin, who risks his own money in the pits, is one of the few locals who can stand up against the waves of trades made by international banks. Smaller locals often mimic his actions trade-for-trade, hoping to profit from his strategies.

He came to Chicago 10 years ago with a degree in biology, $20,000 in savings and no experience in financial markets. After six months trading T-bond futures, he had rung up $8,000 of losses and was near quitting when his luck turned. Today, he declines to comment on his net worth, although friends estimate it at $50m.

The road to riches hasn't been entirely smooth. For instance, on March 17 1989, he began an early-morning bond-buying spree that left him holding 6,000 T-bond futures contracts, or $600m worth of Treasury bonds. He expected US inflation data released later that morning to support bond prices and add to his profits. Instead, bond prices plunged, and he had to work frantically to reverse his position. By the time he had sold out, Baldwin was holding trading cards with $5m in losses. He returned to the market the following morning unruffled, and continued with his business.

Baldwin has made enough money to allow him to retire from the strains of the pit. Instead, he is diversifying his business. He heads The Baldwin Group, comprised of a property developer, several charitable ventures, and a series of offshore futures funds. Last year he also became a director of the Chicago Board of Trade.

Baldwin will continue to trade, he says, in part because the game is addictive, and in part, because he finds the chaos of the pit relaxing.

There is a saying in Chicago that locals are only fit for the pits. Baldwin, however, has a taste for international business. In his first property venture with ING Bank of the Netherlands and Chevron Oil to purchase and develop a LaSalle Street landmark, the Rookery Building, for $100m.

Seeing that managed futures was a growth industry with steady cash returns, Baldwin entered a joint venture with Mitsubishi Corporation in 1989 to form MC Baldwin Financial, which administers six futures funds in Japan with collective assets of about $100m.

Last month MC Baldwin was appointed trading manager of a Luxembourg-based futures fund to be marketed in Germany by Hypo-Bank. Hypo has committed DM35m to the fund in the first such venture of its kind in Germany. MC Baldwin also administers a futures fund for Heinhold in the US. Together, Baldwin says his funds are up 22 per cent for the year.

He doesn't personally handle the funds' assets, but oversees the selection of trading advisers. He plans to keep the business small, picking partners such as Hypo and Mitsubishi to market the funds, and concentrating his management on risk control.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 3 / Sch)

		+/-	High	Low	Yld	P/E
AusAir	1,780	+15	2,000	1,290	2.8	—
BkAust	1,270	+15	1,270	959	0.8	—
CredPf	818	+18	825	409	0.7	—
EA Gen	4,240	+80	4,240	2,980	...	—
EVN	1,580	+15	1,580	690	1.2	—
Lenzng	1,070	+15	1,075	464	1.5	—
OeMv	922	+22	922	562	1.6	—
PerlZm	1,000	—	1,106	780	2.0	—
RadexH	431	-11	471	290	2.3	—
StevrD	182	-6	220	146	3.3	—
VeitMg	344	+15	364	211	1.7	—
VoeBrA	758	+14	758	380	2.1	—
VnlAir	584	+5	595	440	1.4	—
Wienbg	4,200	+80	4,220	2,820	0.8	—

BELGIUM/LUXEMBOURG (Jan 3 / Frs.)

		+/-	High	Low	Yld	P/E
AG Grp	2,920	+20	2,940	2,111	2.4	—
Ackrmns	3,705	+5	3,705	2,350	1.8	—
Almanl	8,700	+50	8,700	3,990	2.6	—
Arbed	4,050	+10	4,400	1,750	...	—
BBL	4,470	-5	4,490	3,100	3.0	—
BkIntLx	19,800	-200	19,800	11,236	2.0	—
BGntLPt	27,500	+800	27,600	13,501	2.2	—
BnqNtB	40,025	-175	40,200	31,000	5.4	—
Bekrt	27,100	+750	21,475	13,200	1.6	—
CBRCim	11,900	—	12,850	8,000	3.0	—
CMB	2,415	—	2,460	1,492	3.3	—
Cobepa	5,770	—	5,850	4,220	3.8	—
C'ckIP	156	+1	157	81	8.3	—
Cofruy	6,150	+150	6,570	5,020	1.6	—

FRANCE (Jan 3 / Frs.)

		+/-	High	Low	Yld	P/E
Legrnd	5,600	-120	5,790	3,940	0.8	—
Legris	230¼	+2⅛	235	132	...	—
LyEaDm	585	+5	587	380½	2.6	—
MatraH	181	+1¼	185	90½	2.0	—
MchinB	212¼	+2½	213⅞	131½	1.1	—
Moulex	102⅝	+⅝	120	70⅝	5.8	—
NavMxt	1,070	-6	1,140	732	5.6	—
NrdEst	168¾	+1¾	169	125½	4.8	—
Orsan	195	-6	210	98	...	—
Pariba	507	+11⅛	516	333	3.6	—
ParisR	532	—	553	230½	4.4	—
Pechny	208⅞	+3¼	238½	181	2.7	—
PrnRic	438⅞	+7	443	348	5.1	—
Paug't	782	-6	797	500	1.9	—
PinPr	1,005	+1	1,016	651	...	—
Prom'd	1,108	-6	1,205	535	3.5	—
Raltch	370	+10	378	219½	...	—
Red'te	1,023	+3	1,080	630	11.3	—
RhonPA	149¼	+½	169	125	3.0	—
RUclaf	740	+11	740	419	1.1	—
SFIC	900	+29	900	661	6.1	—
Sagem	2,885	-35	2,920	1,160	1.7	—
StGobn	601	+13	605	480	3.6	—
StLoui	1,562	+2	1,590	1,050	2.9	—
Schndr	458¾	+15¾	478½	210	...	—
Seb SA	529	+6	549	310	2.1	—
Sofimg	644	—	644	405	5.2	—
Sirocc	606	-3	609	430	5.1	—
Skis R	2,018	+39	2,060	787	—	—
SocGen	779	+13	780	570	2.9	—
SommrA	2,031	+2	2,110	1,150	2.1	—
SpieBt	440	+6	440	273	—	—
SuezCl	357	+⅛	371¾	244	3.4	—
Taltn	2,330	+30	2,650	1,800	1.5	—
ThmCSF	182½	+¼	188	137	4.8	—
TotalB	323¼	+½	335⅞	216⅝	3.2	—
UAP	666	-1	680	486	1.8	—
UFBLoc	435	-3	449	185	3.4	—
Unibal	600	-4	605	317	4.3	—
UnimFr	670	-16	689	451	4.9	—

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Thursday, December 30, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Bank of Osaka	3.8m	450		Sanrio	2.0m	1,070	+140
Hanwa	3.1m	490	+100	Hitachi	1.9m	822	+12
Sumitomo Mt Mn	2.8m	870	+24	Nippon Steel	1.7m	307	+6
Isuzu Motors	2.7m	352	+8	Toko	1.6m	649	+16
Fujitsu	2.0m	844		Mitsubishi Hvy	1.5m	615	+6

INDICES

	Jan 3	Dec 31	Dec 30	1993/4 High		1993/4 Low	
Argentina							
General (29/12/77)	(u)	(c)	20607.2	20607.20	30/12/93	12167.88	8/3/93
Australia							
All Ordinaries(1/1/80)	(c)	2173.6	2155.0	2173.60	31/12/93	1495.00	13/1/93
All Mining(1/1/80)	(c)	1025.9	1023.7	1025.90	31/12/93	584.70	13/1/93
Austria							
Credit Aktien(30/12/84)	435.97	(c)	429.46	435.97	3/1/94	380.26	14/1/93
Traded Index(2/1/91)	1149.56	(c)	1128.78	1149.56	3/1/94	712.08	15/1/93
Brazil							
Bovespa (29/12/83)	(u)	37480.0	37545.0	37500.00	29/9/93	714.72	4/1/93
Belgium							
BEL20 (1/1/91)	1481.78	(c)	1473.10	1481.78	3/1/94	1125.48	4/1/93
Canada							
Metals Mnrls♦(1975)	(c)	3514.94	3508.39	3591.97	13/12/93	2743.31	21/1/93
Composite♦ (1975)	(c)	4321.43	4329.90	4329.90	30/12/93	3275.80	21/1/93
Portfolio§§ (4/1/83)	(c)	2062.71	2071.43	2071.43	30/12/93	1720.97	21/1/93
Chile							
IPGA Gen (31/12/80)	(u)	(c)	3904.2	3970.20	29/12/93	2812.59	10/5/93
Denmark							
CopenhagenSE(3/1/83)	370.74	(c)	365.64	370.74	3/1/94	281.50	4/1/93
Finland							
HEX General(28/12/90)	1601.1	(c)	1582.1	1607.70	3/11/93	843.10	22/1/93
France							
SBF 250 (31/12/90)	1517.39	1511.73	1510.72	1517.39	3/1/94	1114.19	28/1/93
CAC 40(31/12/87)	2290.56	2273.14	2281.22	2290.56	3/1/94	1772.21	29/1/93
Germany							
FAZ Aktien(31/12/58)	854.59	(c)	847.57	854.59	3/1/94	598.92	14/1/93
Commerzbank(1/12/53)	2451.4	(c)	2431.00	2451.40	3/1/94	1694.30	14/1/93
DAX (30/12/87)‡	2267.98	(c)	2266.68	2267.98	3/1/94	1516.60	13/1/93
Greece							
Athens SE(31/12/80)	990.21	958.66	945.16	990.21	3/1/94	667.72	5/1/93
Hong Kong							
Hang Seng(31/7/64)	12086.49	11888.39	11877.47	12086.49	3/1/94	5437.80	4/1/93
India							
BSE Sens.(1979)	3465.8	(c)	(c)	3465.80	3/1/94	2100.67	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	589.65	(c)	588.77	588.65	3/1/94	273.31	5/1/93
Ireland							
ISEQ Overall(4/1/88)	(c)	1888.94	1863.44	1888.94	31/12/93	1191.19	11/1/93
Italy							
Banca Comm Ital (1972)	624.51	619.47	613.49	632.86	30/8/93	446.33	6/1/93
MIB General (4/1/93)	1366.0	1356.0	1344.0	1390.08	30/8/93	982.00	11/1/93
Japan							
Nikkei 225 (16/5/49)	(c)	(c)	17417.24	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	(c)	(c)	267.06	308.84	10/11/93	248.84	29/11/93
Topix (4/1/68)	(c)	(c)	1439.31	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	(c)	(c)	1863.38	2384.97	7/6/93	1661.72	26/1/93
Malaysia							
KLSE Comp.(4/4/86)	1288.85	1275.32	1231.73	1288.85	3/1/94	614.38	13/1/93
Mexico							
IPC (Nov 1978)	(u)	(c)	2602.63	2602.63	30/12/93	1504.15	25/2/93
Netherland							
CBS TtlRtnGen(End 83)	(u)	(c)	433.2	433.20	30/12/93	295.70	4/1/93
CBS All Shr (End 83)	(u)	(c)	280.8	280.80	30/12/93	198.80	13/1/93
New Zealand							
Cap. 40 (1/7/86)	(c)	2186.07	2180.23	2203.59	2/11/93	1495.37	21/1/93
Norway							
Oslo SE(Ind)(2/1/83)	1072.67	(c)	1062.04	1072.67	3/1/94	669.93	27/1/93
Philippines							
Manila Comp (2/1/85)	3271.51	(c)	(c) †	3271.51	3/1/94	1278.88	4/1/93
Portugal							
BTA (1977)	2618.9	2614.0	2617.0	2689.00	9/9/93	1698.20	14/1/93
Singapore							
SES All-S'pore(2/4/75)	638.01	628.66	623.90	638.01	3/1/94	394.10	13/1/93
South Africa							
JSE Gold (28/9/78)	2154.0♥	2164.0	2176.0	2184.00	27/12/93	775.00	5/1/93
JSE Indl. (28/9/78)	5596.0♥	5573.0	5582.0	5596.00	3/1/94	4333.00	19/4/93
South Korea							
KoreaCmpEx(4/1/80)**	879.32	(c)	(c)	879.32	3/1/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	327.16	322.77	319.19	327.16	3/1/94	215.80	4/1/93
Sweden							
AffarsvarldnGen (1/2/37)	1424.9	(c)	1402.8	1436.10	4/11/93	879.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1319.94	(c)	1306.95	1319.94	3/1/94	894.80	11/1/93
SBC General (1/4/87)	1021.85	(c)	1012.63	1021.85	3/1/94	678.70	11/1/93
Taiwan							
WeightedPr.(30/6/66)**	(c)	6070.56	5813.55	6070.56	31/12/93	3098.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	(c)	(c)	1682.85	1682.85	30/12/93	818.84	1/6/93
Turkey							
Istanbul Cmp.(Jan 1986)	21788.1	20682.8	20175.4	21788.10	3/1/94	3956.53	1/1/93
WORLD							
MS Capital Int (1/1/70)$	598.8*	598.5	598.7	607.10	15/10/93	486.60	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	(c)	1473.36	1475.84	1475.84	30/12/93	1083.02	13/1/93
Euro Top-100 (25/6/90)	(c)	1239.23	1239.00	1239.23	31/12/93	982.73	13/1/93
JCapelDrgns (31/12/88)	(c)	(c)	381.65	381.65	31/12/93	188.92	4/1/93
Barings Emerg.(7/1/92)	168.46	168.41	166.56	168.46	3/1/94	99.81	4/2/93

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2287.0	2300.0	+18.0	2312.0	2273.0	42,322	42,322
Jan	2289.5	2312.0	+18.5	2319.5	2289.5	158	158
Feb	2301.5	2323.5	+18.0	2328.0	2298.0	30,136	140
Mar	-	2319.5	+18.0	-	-	1,651	-

Open interest figures for previous day.

** Sat Dec 18: Taiwan Weighted Price 5202.14; Korea Comp Ex 864.00. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 3 - 2274.62 +19.33.

US INDICES

Dow Jones	Dec 31	Dec 30	Dec 29	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3754.09	3775.88	3794.33	3794.33 (29/12/93)	3241.95 (20/1/93)	3794.33 (29/12/93)	41.22 (2/7/32)
Home Bonds	104.89	104.85	104.77	111.29 (10/12/93)	103.49 (11/1/93)	111.29 (10/12/93)	54.99 (1/10/81)
Transport	1762.32	1765.98	1771.32	1775.61 (28/12/93)	1453.84 (4/1/93)	1775.61 (28/12/93)	12.32 (8/7/32)
Utilities	229.30	230.16	231.08	256.46 (31/8/93)	217.14 (8/1/93)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3804.11 (3806.34) Low 3745.15 (3759.96) (Theoretical♦) Day's high 3792.09 (3794.89) Low 3754.09 (3770.02) (Actual♦)

Standard and Poors	Dec 31	Dec 30	Dec 29	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	466.45	468.64	470.58	470.94 (28/12/93)	429.05 (8/1/93)	470.94 (28/12/93)	4.40 (1/6/32)
Industrials	540.19	542.13	543.94	543.94 (29/12/93)	498.48 (26/4/93)	543.94 (29/12/93)	3.62 (21/6/32)
Financial	44.27	44.42	44.60	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.08	259.77	260.67	260.67 (29/12/93)	236.21 (8/1/93)	260.67 (29/12/93)	4.46 (25/4/42)
Amex Mkt Val	477.15	472.55	472.16	484.28 (2/11/93)	395.84 (8/1/93)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Cmp	776.80	771.08	768.46	787.42 (15/10/93)	645.87 (26/4/93)	787.42 (15/10/93)	54.87 (31/10/72)

RATIOS

	Dec 31	Dec 17	Dec 10	Year ago
Dow Jones Ind. Div. Yield	2.68	2.67	2.67	3.14
	Dec 29	Dec 22	Dec 15	Year ago
S & P Ind. Div. yield	2.38	2.40	2.45	2.58
S & P Ind. P/E ratio	27.21	27.43	27.16	26.78

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	466.90	467.10	+0.15	467.90	466.25	23,450	178,355
Jun	468.00	468.25	-	468.30	467.45	307	3,624
Sep	-	468.90	-	469.55	468.75	181	812

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Am T & T	2,825,200	52½	—
Wal-Mart	2,805,300	25	-⅛
RJR Nabisco	2,567,400	6⅝	-⅛
Merck	2,046,300	34⅜	-⅜
IBM	1,918,500	56⅝	-¼
Stone Cont	1,784,800	9⅝	-1⅜
Gulf St.	1,806,800	20	+⅛
WMX Tech	1,557,600	26⅝	+⅛
Limited	1,468,900	17	-⅛
Primerica	1,488,400	38⅞	+⅞

TRADING ACTIVITY

● Volume (million)	Dec 31	Dec 30	Dec 29
New York SE	167.623	188.644	264.031
Amex	16.264	16.855	17.092
NASDAQ	(u)	211.205	268.385
NYSE			
Issues Traded	2,683	2,714	2,718
Rises	1,184	963	1,195
Falls	890	1,083	826
Unchanged	609	668	697
New Highs	119	100	121
New Lows	15	20	21

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Dow edges lower on easing bond market

Wall Street

US stocks edged lower yesterday morning as a weak bond market overshadowed two favourable readings on the economy, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was down 0.84 at 3,753.25, and the more broadly based Standard & Poor's 500 was 0.97 lower at 465.48. In the secondary markets, the American SE composite was 0.96 off at 476.19, while the Nasdaq showed a sharper 7.26 decline to 769.54.

The initial trading day of the new year brought one of the first official signs of sustained economic expansion in the first quarter.

The National Association of Purchasing Management said that its December composite index, an important leading indicator, rose to 57.9 per cent from November's 55.7 per cent reading. It was the highest level since January 1993.

Separately, the Commerce Department said that construction spending in November had climbed 1.8 per cent, for the seventh consecutive gain. However, the report carried less significance for the bond market, which is looking ahead for signs of mounting inflationary pressures.

In early trading, the benchmark 30-year bond was down ⅝ to 98¼, hovering at its highest level since August. In response, an early 10-point gain in the Dow Industrial index was eroded and many issues were trading modestly below their opening levels.

Du Pont, up $1 at $49¼, was one of the few blue chips showing a solid gain. IBM advanced $⅞ to $57⅞ and Boeing added $⅜ at $44.

Automobile issues were particularly active. Ford dropped $1⅜ to $62⅜, General Motors slipped $¼ to $54⅜ and Chrysler eased $⅛ to $53⅛.

In the retail sector, Federated Department Stores jumped $1⅜ to $22⅜ after revealing a plan to seek control of the bankrupt R.H. Macy, and create the largest US department store chain.

Wal-Mart firmed $⅛ to $25⅝ and Woolworth $⅜ to $25¼, but Sears Roebuck lost $1 to $51⅜.

Toys "R" Us shed $1¼ to $39⅝ in spite of better than expected Christmas sales. The drop followed the announcement of a management transition at the company.

Falling technology shares dragged down the Nasdaq, which outperformed other indices last week. Intel receded $⅝ to $61½ and MCI Communications was $⅝ off at $27⅝.

● The Toronto market was closed.

Mexican equities went into 1994 with a fall in early trading, following the lead of the US market. After breaking through the 2,600 level with a new high last Thursday, the IPC index dropped 34.69, or 1.3 per cent, to 2,567.94.

Analysts said that an armed peasant uprising in Chiapas, in which 57 people have died, may have caused some foreign investors to pull out of the market.

SOUTH AFRICA

Golds were softer in Johannesburg in response to a generally lacklustre bullion price, but industrials pushed higher in generally quiet conditions as the earlier dampening effects of the strong financial rand disappeared. The golds index dipped 10 to 2,154, industrials added 23 at 5,596 and the overall index put on 16 at 4,909. Anglos rose R2.50 to R223, Barlows collected 75 cents at R55.50 and Iscor firmed 3 cents to R2.47. Dries was R1.25 lower at R55.25.

EUROPE

Bourses open 1994 in ascending array

The Continent was peppered with new highs, *writes Our Markets Staff.*

FRANKFURT saw US buying late in the session, overcame a weak start and closed with the DAX index 1.30 stronger at a new closing high of 2,267.98. Trade was quiet after Thursday's DM11.2bn turnover.

Construction shares, savaged by some analysts in mid-1993, broke resistance levels and blossomed. Hochtief and Holzmann both rose by DM60, to DM1,200 and DM1,045.

PARIS said domestic bank rate cuts were neutral in effect but good for sentiment, and that futures-related buying was behind a rise in the CAC-40 index of 22.34 to a new high of 2,290.56. Turnover amounted to FFr3.2bn. Eurotunnel gained FFr1.90 at FFr54.40 on its tariff structure. CCF fell as low as FFr290 on its rights issue at one point, recovering to close still FFr5.60 down at FFr297.40: it talked of higher 1993 profits.

ZURICH returned to record setting territory, the SMI index registering an advance of 38.6 at 2,996.2, with the best performances coming in cyclicals.

MADRID peaked 4.39 higher at 327.16, with construction stocks in the lead. Registered shares in Ciba-Geigy, viewed as the most cyclical stock among chemicals, put on SFr29 at SFr929.

COPENHAGEN gained 2.2 per cent in active buying by institutional investors, and the KFX top-20 index climbed 2.39 to 109.19 in big turnover of DKr854m.

AMSTERDAM saw enthusiastic local buying which took the new AEX index 6.1 ahead to a high of 420.37. A rise of Fl 2.50, or 5.3 per cent, to Fl 49.40 in Ahold, the retailer, was attributed to favourable press comment on the outlook for the group's US supermarket chains. **BRUSSELS** moved ahead, the Bel-20 index adding 8.68 at a peak 1,481.78.

STOCKHOLM put aside political worries over an impending decision on the Oresund Bridge between Sweden and Denmark and the Affärsvärlden index rose 22.1 to a record 1,424.9.

OSLO shrugged off continued low prices for Norway's North Sea oil and the all-share index moved forward 4.83 to 617.91 in active turnover of NKr672m.

VIENNA rose by 1.8 per cent, the ATX index closing 20.78 higher at 1,149.56 on a lack of sellers. **WARSAW**'s WIG index climbed 606, or 4.9 per cent, to 13,045 in active turnover of 1,400bn zlotys.

ISTANBUL hit its third consecutive peak, the composite index ending at 21,788.1, up 1,105.3 or 5.3 per cent.

ATHENS scored a new high with a 3.3 per cent gain on institutional buying, the general index closing 31.55 stronger at 990.21.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Region sees new records set in eight centres

Roundup

Eight markets saw new highs. Tokyo, Taiwan, Australia and New Zealand were closed.

HONG KONG advanced 1.7 per cent, taking the Hang Seng index through the 12,000-point level to another record close as buy orders from overseas institutions continued to pour in.

The index climbed 198.10 to 12,086.49. Continuing strong US demand was particularly evident, helping to expand turnover to a heavy HK$9.22bn from Friday's HK$7.36bn.

On the futures market the January index contract ended with a sizeable premium to the physical market at 12,315, up 355 points.

Bank of East Asia, which will be among the first of the major banks to announce its profits, climbed HK$4.50 to HK$57.50. Liu Chong Hing was up HK$2.20 at HK$18.20 on expectations that it will spin off its banking arm.

Sino Land jumped 80 cents to HK$12.90 in active morning trade and Tsim Sha Tsui Properties gained 70 cents at HK$10.80 before they were both suspended pending an announcement.

SINGAPORE saw strong retail demand, on expectations of more gains in coming weeks, which took the Straits Times Industrial index up 15.85 to a peak 2,441.53.

Profit-taking was overwhelmed by a flood of new money. However, Rothmans Industries plunged S$1.20, or 11.9 per cent, to S$9.70 when the stock resumed trading after the announcement that plans for a regional holding company were vetoed by its Malaysian associate.

KUALA LUMPUR registered further institutional and speculative buying and the composite index advanced 13.53 to a record 1,288.86.

Rothmans fell M$4.60, or 17.7 per cent, to M$21.40 after the merger proposal's rejection.

SEOUL saw buy orders which boosted financials and recent laggards such as construction and low-priced counters, taking the composite index 13.14 higher to a peak of 879.32.

Blue chips were held back, however, by news that the Korea Securities Market Stabilisation Fund planned to liquidate Won800bn of stocks later this month.

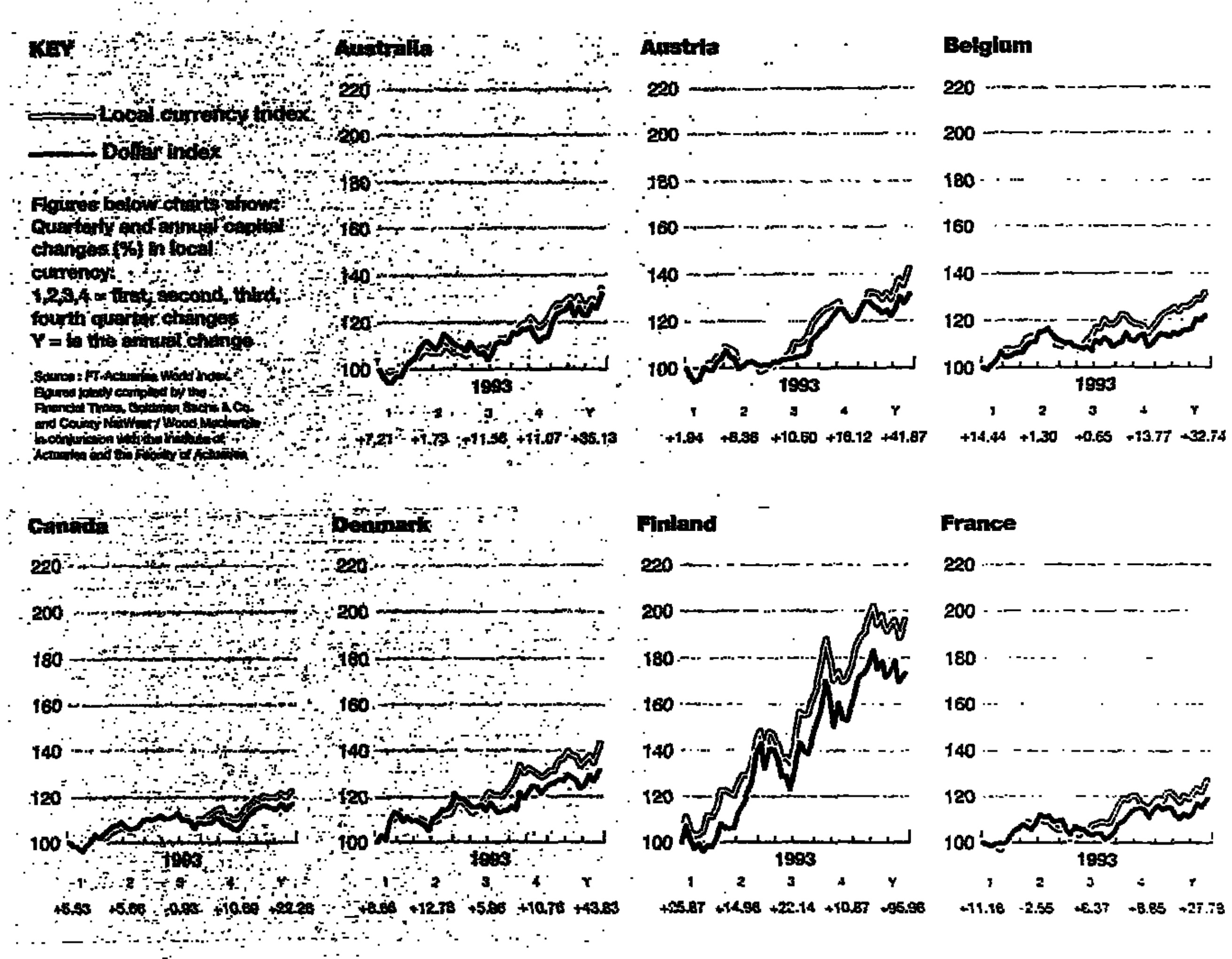
MANILA hit a new high as demand for blue chips kept the market up amid profit-taking in other issues. The Composite index added 75.43 at 3,271.51.

JAKARTA edged ahead to a record close, the official index firming 0.88 to 589.65.

KARACHI, powered by strong demand for financials, polyesters and pharmaceuticals, saw the KSE 100 index rise 7.89 to finish at a high of 2,178.09.

BOMBAY's 30-share index moved ahead 119.80, or 3.6 per cent, to a peak of 3,465.56 amid increased foreign buying on hopes for improved economic and political stability in the coming year.

HOW THE WORLD MARKETS PERFORMED IN 1993

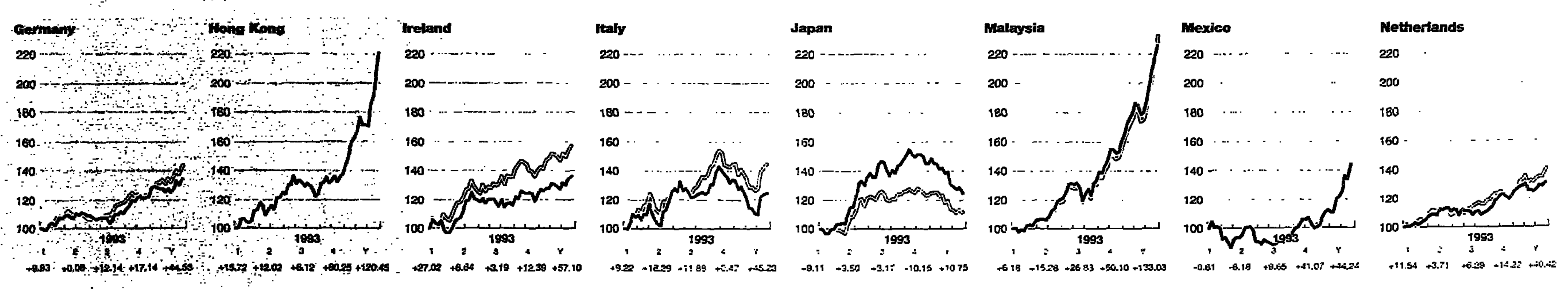


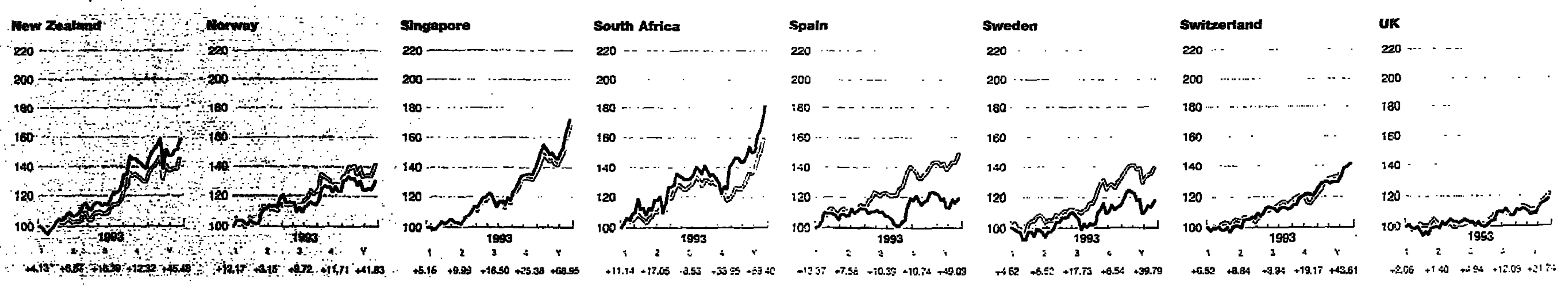
FT-ACTUARIES WORLD INDICES

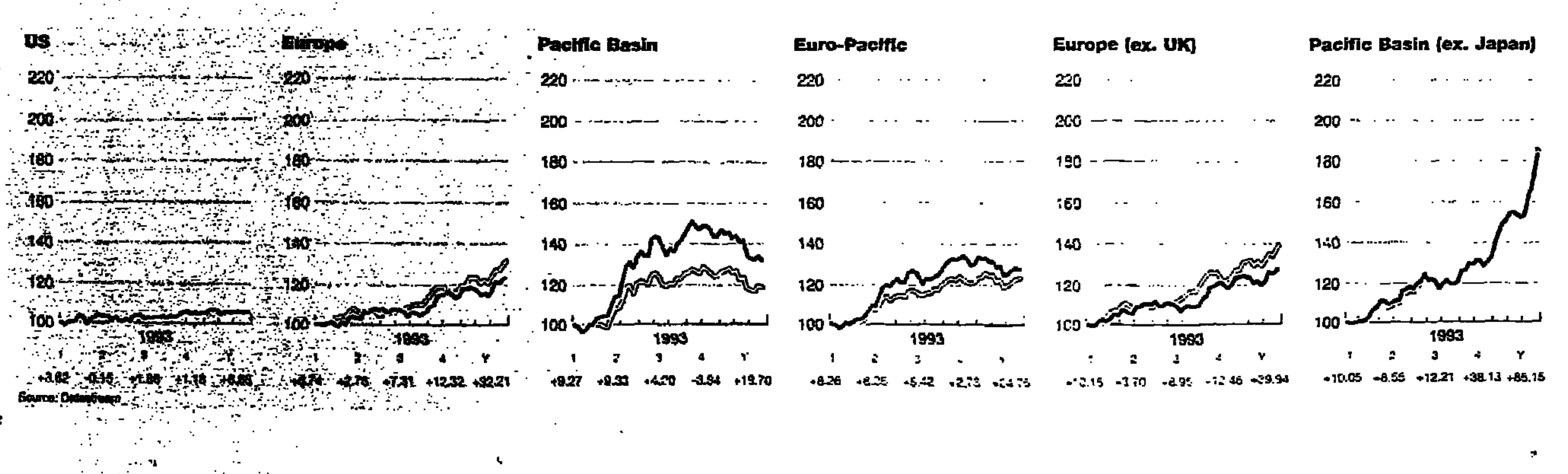
Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 31 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY DECEMBER 30 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	166.87	+1.1	167.22	117.72	150.65	163.51	+0.7	3.15	165.02	165.68	116.66	148.74	162.40	166.87	117.39	125.12
Austria (17)	184.98	+0.0	185.37	130.50	167.00	168.54	+0.0	0.96	185.06	185.78	130.84	166.80	166.54	187.68	131.16	140.16
Belgium (42)	162.65	-0.3	162.99	114.73	146.84	145.01	+0.0	3.97	163.06	163.70	115.28	146.98	145.01	166.01	131.19	133.23
Canada (107)	135.79	+0.3	136.07	95.79	122.58	130.19	-0.5	2.58	135.42	135.95	95.73	122.05	130.79	135.79	111.41	115.64
Denmark (32)	247.20	-0.5	247.72	174.40	223.17	228.46	+0.0	0.99	248.39	249.36	175.61	223.89	228.46	253.37	185.11	186.12
Finland (23)	123.20	-0.1	123.45	86.92	111.22	149.73	+0.0	0.70	123.33	123.81	87.19	111.16	149.73	128.99	65.50	69.61
France (98)	175.96	-0.7	176.33	124.13	158.85	162.98	-0.5	2.86	177.26	177.95	125.31	159.76	163.74	179.49	142.72	147.18
Germany (60)	140.24	-0.2	140.54	98.95	126.61	126.61	+0.0	1.64	140.47	141.02	99.32	126.61	126.61	142.38	101.59	104.04
Hong Kong (55)	489.31	+0.2	490.33	345.19	441.77	485.45	+0.2	2.25	488.48	490.40	345.35	440.31	484.36	489.31	218.82	221.56
Ireland (14)	185.21	+0.2	185.60	130.66	167.21	185.19	+0.3	3.06	184.76	185.48	130.62	166.53	184.64	185.21	129.28	135.78
Italy (69)	68.59	+0.1	68.73	48.38	61.92	87.69	+0.3	1.87	68.53	68.80	48.45	61.77	87.44	78.93	53.78	54.87
Japan (469)	130.13	+0.2	130.40	91.80	117.50	91.80	+0.0	0.89	129.85	130.36	91.80	117.06	91.60	165.91	100.75	105.03
Malaysia (69)	591.54	+3.6	592.77	417.30	534.03	613.75	+3.8	1.18	571.16	573.40	403.79	514.80	591.51	591.54	251.66	261.46
Mexico (19)	2387.72	+0.2	2392.70	1684.47	2155.64	8108.54	+0.2	0.81	2382.94	2392.28	1684.72	2147.86	8096.23	2387.72	1410.30	1647.91
Netherland (26)	199.11	-0.2	199.52	140.46	179.76	176.50	+0.0	3.00	199.51	200.29	141.05	179.83	176.50	202.46	150.39	151.40
New Zealand (14)	67.91	-0.6	68.05	47.91	61.31	64.46	+0.3	3.63	67.48	67.74	47.71	60.82	64.24	68.38	40.66	42.69
Norway (23)	179.64	-0.2	180.01	126.73	162.18	183.38	+0.0	1.39	180.05	180.76	127.30	162.29	183.33	185.10	137.71	137.71
Singapore (39)	367.53	+1.0	368.30	259.29	331.80	272.51	+1.2	1.23	364.05	365.48	257.38	328.13	269.26	369.74	207.04	213.36
South Africa (60)	267.15	+0.5	267.70	188.46	241.17	250.49	+0.1	2.23	265.89	266.93	187.97	239.65	250.18	267.15	141.72	148.10
Spain (42)	139.35	+1.0	139.64	98.31	125.80	150.88	+1.4	3.96	137.98	138.52	97.55	124.37	148.82	145.24	115.23	116.61
Sweden (36)	196.37	-0.2	196.78	138.54	177.29	242.31	+0.0	1.44	196.69	197.46	139.06	177.29	242.31	208.92	149.79	165.56
Switzerland (49)	160.14	-0.4	160.48	112.98	144.60	147.44	+0.0	1.47	160.74	161.37	113.65	144.90	147.44	165.86	108.91	113.01
United Kingdom (215)	205.05	-0.1	205.48	144.64	185.10	205.47	-0.3	3.49	205.21	206.01	145.07	184.95	206.01	209.10	162.00	172.36
USA (518)	189.91	-0.4	190.30	133.98	171.46	189.91	-0.4	2.75	190.74	191.49	134.86	171.93	190.74	191.68	175.38	178.10
Europe (746)	169.57	-0.2	169.93	119.63	153.10	165.08	-0.1	2.75	169.88	170.54	120.10	153.12	165.24	172.29	133.92	136.01
Nordic (114)	189.46	-0.2	189.85	133.66	171.04	201.92	+0.0	1.23	189.90	190.64	134.26	171.16	201.92	194.54	142.13	148.29
Pacific Basin (715)	145.06	+0.4	145.37	102.34	130.97	105.79	+0.2	1.15	144.51	145.08	102.17	130.26	105.58	169.90	105.89	109.71
Euro-Pacific (1461)	155.11	+0.1	155.43	109.42	140.03	128.45	+0.1	1.88	154.92	155.52	109.52	139.63	128.37	162.86	117.26	120.35
North America (625)	186.53	-0.4	186.92	131.60	168.43	185.80	-0.4	2.74	187.29	188.02	132.42	168.84	186.62	188.13	171.51	174.22
Europe Ex. UK (531)	147.43	-0.2	147.74	104.03	133.13	141.48	+0.0	2.26	147.80	148.38	104.51	133.25	141.48	150.04	112.51	114.39
Pacific Ex. Japan (246)	286.91	+1.1	287.51	202.44	259.05	267.02	+1.0	2.24	283.84	284.95	200.70	255.86	264.27	286.91	152.70	155.69
World Ex. US (1647)	157.34	+0.1	157.67	111.01	142.05	131.76	+0.0	1.88	157.12	157.74	111.09	141.63	131.70	162.89	118.51	121.45
World Ex. UK (1950)	163.60	-0.1	163.94	115.42	147.71	144.62	-0.1	2.06	163.73	164.37	115.76	147.59	144.79	168.56	134.22	136.49
World Ex. So. Af. (2105)	166.59	-0.1	166.94	117.53	150.41	149.03	-0.1	2.21	166.73	167.39	117.89	150.30	149.24	170.46	137.29	139.66
World Ex. Japan (1696)	188.18	-0.2	188.58	132.77	169.92	184.91	-0.2	2.67	188.53	189.26	133.30	169.95	185.25	189.49	157.47	159.16
The World Index (2165)	167.20	-0.1	167.55	117.96	150.96	149.85	-0.1	2.21	167.34	167.99	118.31	150.84	150.05	170.68	137.32	139.60

Constituent changes with effect 3/1/94: Deletion. Travelers (USA) Name change. Primerica to Travelers. Markets closed 31/12/93 Austria, Belgium, Denmark, Finland, Germany, Japan, Netherlands, Norway, Sweden & Switzerland. Latest prices unavailable for this edition.







EXCHANGE RATES

1993	End 1st Qtr $	End 1st Qtr £	End 2nd Qtr $	End 2nd Qtr £	End 3rd Qtr $	End 3rd Qtr £	End 4th Qtr $	End 4th Qtr £
Australia	1.4178	2.1290	1.4999	2.2635	1.5511	2.2567	1.4725	2.1738
Austria	11.3200	17.0750	12.0200	17.9150	11.4600	17.1950	12.2100	[illegible]
Belgium	33.1300	50.0000	35.1000	52.2500	35.3100	52.7500	36.1500	[illegible]
Canada	1.2583	1.8900	1.2819	1.9160	1.3341	[illegible]	1.3221	1.9565
Denmark	6.1702	9.3275	6.5660	9.7925	6.5374	9.8925	6.7792	10.0531
Finland	5.8409	8.8257	5.7065	8.5255	5.8205	8.7430	5.7912	8.5681
France	5.4600	8.2425	5.7546	8.5820	5.6975	8.5125	5.9090	8.7357
Germany	1.6075	2.4275	1.7075	2.5450	1.6320	2.4475	1.7325	2.5632
Hong Kong	7.7310	11.6357	7.7425	11.6887	7.7329	11.6442	7.7235	11.4328
Ireland	0.6605	0.9975	0.7006	1.0445	0.6679	1.0466	0.7096	1.0499
Italy	1589.60	2402.00	1550.41	2307.50	1590.47	2375.50	1713.06	2533.25
Japan	114.85	173.00	107.10	159.50	106.31	158.75	111.51	165.12
Malaysia	2.5915	3.9012	2.5715	3.8665	2.5480	3.8315	2.6530	3.9363
Mexico	3.0700	4.6500	3.1200	4.7035	3.1175	4.6652	3.0750	4.5954
Netherlands	1.8074	2.7300	1.9150	2.8550	1.8329	2.7450	1.9426	2.8736
New Zealand	1.8681	2.8200	1.8622	2.8140	1.8169	2.7345	1.7884	2.6457
Norway	6.8389	10.3350	7.2176	10.7900	7.1350	10.6675	7.5187	11.1271
Singapore	1.6395	2.4690	1.6245	2.4485	1.6020	2.3812	1.6035	2.3806
South Africa	3.1780	4.7822	3.3267	5.0265	3.4545	5.1747	3.3970	5.0270
Spain	114.81	173.10	130.47	194.35	131.57	197.05	142.85	211.46
Sweden	7.7180	11.6525	7.7399	11.5525	8.1066	12.0360	8.3359	12.3320
Switzerland	1.4893	2.2500	1.5150	2.2550	1.4249	2.1375	1.4850	2.1971
UK	0.6609	1.0000	0.6705	1.0000	0.6683	1.0000	0.6759	1.0000
USA	1.0000	1.6055	1.0000	1.4935	1.0000	1.4965	1.0000	1.4795

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE (ENGLAND) NO. 4481 OF 1993
CHANCERY DIVISION
IN THE MATTER OF

KINGSCROFT INSURANCE COMPANY LIMITED
(formerly Kraft Insurance Company Limited, Dart and Kraft Insurance Company Limited and Dart Insurance Company Limited)
- and -
WALBROOK INSURANCE COMPANY LIMITED
- and -
EL PASO INSURANCE COMPANY LIMITED
- and -
LIME STREET INSURANCE COMPANY LIMITED
(formerly Louisville Insurance Company Limited)
- and -
MUTUAL REINSURANCE COMPANY LIMITED
(a Bermudian Registered Company)
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985 OF GREAT BRITAIN
and
IN THE SUPREME COURT OF BERMUDA NO. 369 OF 1993
IN THE MATTER OF
MUTUAL REINSURANCE COMPANY LIMITED
- and -
IN THE MATTER OF
THE COMPANIES ACT 1981 OF BERMUDA

On 17 November 1993 the Scheme of Arrangement between the above-named companies and their respective Scheme Creditors (as defined in the Scheme of Arrangement) was approved by the Scheme Creditors.

On 8 December 1993 the English Court sanctioned the Scheme of Arrangement as approved by the Scheme Creditors of each of the above-named companies and made a finding that each of the above-named companies was unable to pay its debts and the Bermudian Court sanctioned the Scheme of Arrangement as approved by the Scheme Creditors of Mutual Reinsurance Company Limited and made a finding that Mutual Reinsurance Company Limited was unable to pay its debts.

On 15 December 1993 the English Court ordered that the winding-up petitions presented against each of the above-named companies be dismissed and the appointment of provisional liquidators to each of the above-named companies be terminated and the Bermudian Court ordered that the winding - up petition presented against Mutual Reinsurance Company Limited be dismissed and the appointment of provisional liquidators to Mutual Reinsurance Company Limited be terminated.

On 15 December 1993 the Order made in the English Court sanctioning the Scheme of Arrangement was delivered to the Registrar of Companies for registration in England and the Order made in the Bermudian Court sanctioning the Scheme of Arrangement was delivered to the Registrar of Companies for registration in Bermuda.

The Effective Date of the Scheme of Arrangement is 15 December 1993.

Christopher John Hughes and Ian Douglas Barker Bond, partners in the United Kingdom firm of Coopers & Lybrand and formerly joint provisional liquidators of the above-named companies, were appointed Scheme Administrators on 16 December 1993.

A Permanent Injunction Order providing for the enforcement of the terms of the Scheme of Arrangement in the United States of America was made on 14 December 1993 in the United States Bankruptcy Court in the Southern District of New York. The Order appears in the National edition of the Wall Street Journal on 23 December 1993 and in Business Insurance Magazine on 3 January 1994.

Copies of the Permanent Injunction Order may be obtained by written request to:

CJ Hughes and IDB Bond
Coopers & Lybrand
20 St. Andrew Street
London EC4A 3AY
United Kingdom

JL Greenblatt
Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
United States of America

Claims against the above - named companies under contracts of insurance (or otherwise) should be submitted to the run-off agent appointed by them:

The Claims Department
KWELM Management Services Limited
40 Bermondsey Street
London SE1 3UD
United Kingdom

Claims should be submitted as they arise in the ordinary course, through brokers or otherwise in the ordinary way.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY

■ TODAY

■ TOMORROW

■ THURSDAY JANUARY 6

■ FRIDAY JANUARY 7

■ SATURDAY JANUARY 8

UK COMPANIES

■ TODAY
BOARD MEETINGS:
Finals:
Torex Hire

■ TOMORROW
BOARD MEETINGS:
Interims:
Banks (Sidney)
Fleming Intl. High Inc. Tst.

■ THURSDAY
JANUARY 6
COMPANY MEETINGS:
Kwik Save, The Mollington Banastre Hotel, Park Gate Road, Chester, 12.00
BOARD MEETINGS:
Finals:
Greenwich Resources
Interims:
Abbey
Cassidy Bros.
Druck
Hollas
Pelican

■ FRIDAY JANUARY 7
COMPANY MEETINGS:
Diploma, The Great Eastern Hotel, Liverpool Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Jersey Electricity

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

COMMODITIES PRICES

BASE METALS
■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS
■ GOLD COMEX (100 Troy oz.; $/troy oz.)
■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)
■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)
■ SILVER COMEX (100 Troy oz.; $/troy oz.)

Feb	523.5	+13.3	514.0	514.0	3	-
Mar	525.0	+13.3	528.5	511.0	71,688	10,593
May	528.3	+13.4	531.0	514.0	9,888	1,150
Jul	531.7	+13.5	532.0	518.0	10,498	261
Sep	535.2	+13.8	535.5	521.5	5,381	2
Total					115,772	12,921

ENERGY
■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)
■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)
■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)
■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

Mar	42.45	+.86	42.60	41.75	41,317	14,634
Apr	45.80	+.71	46.00	45.40	31,771	1,905
May	46.50	+.56	46.60	46.10	21,330	757
Jun	47.15	+.51	47.25	46.80	26,994	758
Jul	47.65	+.55	47.65	47.65	8,028	648
Total					137,165	6,664

GRAINS AND OIL SEEDS
■ WHEAT CBT (5,000bu min; cents/60lb bushel)
■ MAIZE CBT (5,000 bu min; cents/56lb bushel)
■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)
■ SOYABEAN OIL CBT (60,000lbs; cents/lb)
■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jul	203.4	-1.3	204.3	202.6	12,504	1,189
Aug	202.5	-1.5	203.5	202.0	5,342	124
Sep	200.2	-0.8	201.5	199.5	2,621	162
Total					90,766	15,174

SOFTS
■ COCOA CSCE (10 tonnes; $/tonnes)
■ COCOA (ICCO) (SDR's/tonne)
■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)
■ COFFEE (ICO) (US cents/pound)
■ SUGAR '11' CSCE (112,000lbs; cents/lbs)
■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	67.76	-0.12	68.34	67.30	27,093	4,772
May	68.77	-0.16	69.40	68.35	10,009	1,649
Jul	69.25	-	69.55	68.67	6,386	510
Oct	67.11	-0.25	67.50	67.11	926	58
Dec	66.46	-0.35	66.85	66.40	5,459	441
Mar	67.40	-	-	-	50	8
Total					49,938	7,438

Softs continued
■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	112.65	+8.25	113.00	105.70	1,698	181
Mar	115.75	+8.50	118.50	108.00	12,262	1,362
May	115.40	+5.00	115.40	112.00	2,867	164
Jul	117.90	+5.00	117.90	117.90	1,062	64
Sep	119.00	+5.00	-	-	652	-

MEAT AND LIVESTOCK
■ LIVE CATTLE CME (40,000lbs; cents/lbs)
■ LIVE HOGS CME (40,000lbs; cents/lbs)
■ PORK BELLIES CME (40,000lbs; cents/lbs)

Total					9,721	1,329

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

NEW UK SHARE CLASSIFICATION

New All-Share sectors reflect changes in UK economy

When today's stock market results are totted up at the end of trading, they will be reported for the first time under the revised FT-SE Actuaries classification, *write Peter Martin and Adrian Dicks.*

The traditional All-Share categories have been given their first thorough overhaul in two decades, to yield sectors that more accurately reflect the shape of today's market. Sectors have been merged or subdivided as their relative importance has changed. And the former Miscellaneous stocks have been given proper homes of their own.

The new classification system is of special interest to FT readers, because it shapes the layout of the paper's share price listings, the London Share Service. As a result of the changes, to be implemented in tomorrow's edition, several hundred of the 3,000 or so securities quoted on the pages will change sectors.

To ease the transition, today's FT provides a full alphabetical listing of shares carried in the London Share Service. Readers may wish to keep it for reference, so as to find their way easily around the pages. Today's listings, reporting Friday's dealings, are the last in the old form.

From tomorrow, there is one particular change worth noting. Foreign stocks which are not part of the main classification – those categorised as Americans, Canadians, etc – will be moved from the beginning of the classification scheme to the end.

The normal daily table reporting All-Share and other FT-SE Actuaries indices has been reprinted here just as it appeared in Saturday's edition, showing the performance of sectors on the last day of the year under the old classification system. Alongside it is a version showing how that data would have looked if the new classification system had been in operation.

The usual end-year tables which show the market capitalisation of each sector will be published in a few days' time.

We regret any inconvenience caused to readers by the change of sectors, and hope that it will be short-lived as the new structure becomes familiar. Though we believe that the service to readers is improved, we are conscious that disruption to long-established habits brings its own costs. After this burst of activity, we hope for a period of greater stability.

Change of name

The reclassification of the All-Share sectors provides an opportunity for a change of name. From now on, the FT-Actuaries All-Share Index will be called the FT-SE Actuaries All-Share Index. This reflects the fact that the All-Share has been part of the FT-SE Actuaries series of indices since 1992. The series is sponsored by the Financial Times, the London Stock Exchange, the Institute of Actuaries and the Faculty of Actuaries.

Since the last review of the SE and FT-A systems in 1970, the UK's industrial base has evolved considerably, reflecting both the growth of the service industries and the Government's privatisation programme for utilities. In contrast, basic industries and capital goods manufacturers in the UK have suffered a relative decline.

The FT-SE Actuaries Industry Classification System has three tiers:

● Economic groups. The non-financial groups will be replaced by the following range of industrial groups: Mineral Extraction, General Manufacturers, Consumer Goods, Services, Utilities, Financials and Investment Trusts (Note: Capital Goods, Consumer Group, Other Groups and Oil & Gas have all been replaced).

● Industry sectors. The old FT-A industry sectors have been revised to fit into the new economic groupings. This has resulted in the creation of new sector descriptions, some being merged and larger sectors further sub-divided. Examples are: Electricals and Electronics, which are merged; Engineering General and Engineering Aerospace, also merged.

Oil & Gas is sub-divided into Gas Distribution, Oil Integrated and Oil Exploration & Production; Health & Household is sub-divided into Pharmaceuticals, Household Goods and Health Care.

The new industry sectors created include Extractive Industries and Distributors. Several others have been renamed.

● Sub-sectors. The old Stock Exchange sectors have been reviewed and integrated within the industry sectors. Where appropriate, sub-sectors have been defined to provide homogenous industry groupings, eg Extractive Industries into Gold Mining, Other Mines and Mining Finance.

Each company has been allocated to the industry sub-sector whose definition most closely describes the nature of its business. The primary consideration when classifying companies is the proportion of profits arising from each industry area. In order to maintain stability in the classification system, temporary fluctuations in the profitability of individual classes of business are generally disregarded.

Classifications are normally determined using the annual audited accounts of the company. Where a company carries on two or more different classes of business, the audited segmentation of profits is used.

● *More detailed information on the new FT-SE Actuaries Industry Classification System, including a set of the Classification Ground Rules, can be obtained by writing to: The Secretary, FT-SE Actuaries Industry Classification Committee, Financial Times, One Southwark Bridge, London SE1 9HL.*

For further information on the FT-SE Actuaries Share Indices electronic data feeds, please contact the Finstat Help Desk on 071-873-4613. For further information on the FT-SE Actuaries Share Indices and Index Data Services please contact the Indices Unit at the London Stock Exchange on 071-797-4400.

FT - SE Actuaries Share Indices — The UK Series

	Dec 31	Day's chge%	Dec 30	Dec 29	Dec 24	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1993 High		1993 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	3418.4	–0.3	3428.8	3462.0	3412.3	2846.5	3.44	5.10	24.37	97.16	1251.90	3462.0	29/12	2737.6	19/1	3462.0	29/12/93	986.9	23/7/84
FT-SE Mid 250	3791.3	+0.1	3786.6	3807.0	3773.2	2852.9	3.21	5.01	24.63	95.10	1374.26	3807.0	29/12	2878.3	13/1	3807.0	29/12/93	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	3777.3	+0.1	3772.5	3792.4	3761.1	2874.6	3.34	5.39	23.08	97.74	1364.73	3792.4	29/12	2874.6	1/1	3792.4	29/12/93	1378.3	21/1/86
FT-SE-A 350	1703.0	–0.2	1706.6	1721.5	1698.8	1388.6	3.39	5.08	24.43	47.14	1277.22	1721.5	29/12	1348.7	19/1	1721.5	29/12/93	684.5	14/1/86
FT-SE SmallCap	1868.68	+0.2	1864.90	1859.07	1846.17	1363.79	3.04	3.90	33.09	43.20	1416.67	1868.68	31/12	1377.88	4/1	1868.68	31/12/93	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	1818.15	+0.2	1814.02	1806.78	1795.27	1363.79	3.26	4.37	30.18	45.49	1380.67	1818.15	31/12	1380.66	4/1	1818.15	31/12/93	1363.79	31/12/92
FT-A ALL-SHARE	1682.17	–0.2	1685.26	1698.75	1677.01	1363.79	3.37	5.01	24.82	48.11	1283.93	1698.75	29/12	1330.19	19/1	1698.75	29/12/93	61.92	13/12/74

■ FT-Actuaries All-Share

	Dec 31	Day's chge%	Dec 30	Dec 29	Dec 24	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1993 High		1993 Low		Since Compilation High		Since Compilation Low	
66 Insurance (Composite)(8)	757.07	+0.2	755.32	761.89	754.10	631.22	4.38	‡	‡‡	28.54	1259.26	761.89	29/12	617.22	19/1	768.11	29/12/89	43.96	13/12/74
67 Insurance Brokers(10)	862.04	–0.4	865.43	870.80	868.13	778.33	4.49	4.85	30.11	30.41	1158.49	958.50	10/8	761.21	28/4	1399.56	17/7/87	65.86	16/12/74
68 Merchant Banks(6)	907.70	—	907.70	917.33	915.56	504.29	2.80	6.41	19.15	18.79	1861.70	917.33	29/12	605.48	11/1	917.33	29/12/93	31.21	7/1/75
69 Property(30)	1165.13	–0.1	1166.08	1170.28	1165.91	643.22	3.51	3.31	41.37	32.41	1892.58	1183.64	20/12	638.39	5/1	1398.87	5/6/89	56.01	20/4/65
70 Other Financial(24)	492.42	+0.1	492.06	491.96	490.20	303.44	3.26	5.12	25.60	11.99	1666.19	492.42	31/12	257.66	13/1	603.46	16/7/87	33.28	17/12/74
71 Investment Trusts(110)	1963.14	+0.1	1961.17	1989.90	1943.48	1341.00	2.09	1.88	59.49	32.96	1504.45	1989.90	29/12	1321.21	11/1	1989.90	29/12/93	71.12	13/12/74
99 FT-A ALL-SHARE(823)	1682.17	–0.2	1685.26	1698.75	1677.01	1363.79	3.37	5.01	24.82	48.11	1283.93	1698.75	29/12	1330.19	19/1	1698.75	29/12/93	61.92	13/12/74

The table above shows the performance of sectors on the last day of 1993 under the old classification system. The version on the right shows how that data would have looked if the new classification system had been in operation. Total return and xd adjustment are not shown.

FT - SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. The charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (●) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 10H
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Royal Heritage Life Assurance Ltd - Contd.

Scottish Provident Group - Contd.

Scottish Widows' Group

Skandia Life Assurance Co Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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Citibank - Contd.

CMI Asset Management - Contd.

Lloyds Bank Luxembourg

Credit Suisse

Pacific Basin Growth Fund

Columbus Asset Management Ltd

The India Magnum Fund NV

Pakistan Fund

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.0839	+0.0561	841 - 037	18.1040	18.0181	18.0976	-0.2	18.107	-0.3	-	-	114.0
Belgium	(BFr)	53.6571	+0.1694	849 - 292	53.7300	53.5380	53.7271	-1.6	53.8621	-1.5	54.1471	-0.9	113.2
Denmark	(DKr)	10.0430	-0.0101	359 - 501	10.0556	10.0070	10.0581	-1.8	10.0834	-1.6	10.1383	-0.9	115.1
Finland	(FM)	8.5898	+0.0217	716 - 080	8.6100	8.5435	-	-	-	-	-	-	79.7
France	(FFr)	8.7476	+0.0119	431 - 520	8.7590	8.7216	8.7568	-1.3	8.7708	-1.1	8.7871	-0.5	108.4
Germany	(DM)	2.5718	+0.0028	702 - 734	2.5775	2.5665	2.5737	-0.9	2.5759	-0.6	2.5753	-0.1	122.9
Greece	(Dr)	369.755	+0.841	260 - 250	370.300	368.890	-	-	-	-	-	-	-
Ireland	(I£)	1.0510	+0.0011	501 - 519	1.0520	1.0495	1.0513	-1.1	1.0535	-1.0	1.0572	-0.6	102.7
Italy	(L)	2523.15	-9.76	118 - 511	2536.30	2516.05	2529.4	-3.0	2542.2	-3.0	2590.60	-2.7	75.8
Luxembourg	(LFr)	53.6571	+0.1694	849 - 292	53.7300	53.5380	53.7271	-1.6	53.8621	-1.5	54.1471	-0.9	113.2
Netherlands	(Fl)	2.8781	+0.0045	768 - 805	2.8810	2.8740	2.8787	-0.2	2.8792	-0.2	2.8731	0.2	118.7
Norway	(NKr)	11.1410	+0.0139	357 - 482	11.1516	11.1035	11.1569	-1.7	11.1548	-0.5	11.1412	0.0	85.3
Portugal	(Es)	261.797	+0.369	560 - 033	262.100	261.430	263.292	-6.9	265.812	-6.1	-	-	-
Spain	(Pta)	211.694	+0.136	448 - 739	211.740	211.090	212.334	-4.2	213.459	-3.5	217.914	-3.0	84.6
Sweden	(SKr)	12.3663	+0.0343	547 - 779	12.4080	12.2870	12.3918	-2.5	12.4218	-1.8	12.5423	-1.4	74.1
Switzerland	(SFr)	2.1952	-0.0019	937 - 966	2.1975	2.1850	2.1931	1.1	2.1892	1.1	2.1675	1.3	116.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	81.8
Ecu	-	1.3278	+0.0009	268 - 288	1.3295	1.3245	1.3292	-1.3	1.3311	-1.0	1.3348	-0.5	-
SDR†	-	0.927677	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentine	(Peso)	1.4776	+0.001	770 - 782	1.4810	1.4740	-	-	-	-	-	-	-
Brazil	(Cr)	490.371	+15.684	198 - 544	491.000	474.000	-	-	-	-	-	-	-
Canada	(C$)	1.9458	-0.013	447 - 468	1.9850	1.9400	1.9428	1.8	1.9388	1.4	1.9301	0.8	91.8
Mexico	(New Peso)	4.6014	+0.006	984 - 044	4.6080	4.5905	-	-	-	-	-	-	-
USA	($)	1.4805	+0.001	800 - 810	1.4840	1.4770	1.4775	2.4	1.4734	1.9	1.4623	1.2	67.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1653	-0.0145	637 - 668	2.1880	2.1630	2.1633	1.1	2.1613	0.7	2.1616	0.2	-
Hong Kong	(HK$)	11.4354	+0.0026	300 - 407	11.4630	11.4100	11.4128	2.4	11.3802	1.9	11.3006	1.2	-
India	(Rs)	46.4526	+0.0425	313 - 738	46.5550	46.3000	-	-	-	-	-	-	-
Japan	(Y)	166.401	+1.261	322 - 479	166.590	165.210	165.926	3.4	165.061	3.2	161.096	3.2	176.8
Malaysia	(M$)	3.9493	-0.0365	457 - 528	3.9850	3.9430	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6344	-0.0107	311 - 376	2.6520	2.6300	2.6379	-1.6	2.64	-0.9	2.6412	-0.3	-
Philippines	(Peso)	41.0100	+0.1017	000 - 199	41.3200	40.4950	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5515	+0.0026	485 - 545	5.5645	5.5395	-	-	-	-	-	-	-
Singapore	(S$)	2.3855	+0.005	843 - 868	2.3895	2.3765	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0356	+0.0086	327 - 384	5.0410	5.0215	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3514	+0.0043	418 - 609	6.3840	6.2825	-	-	-	-	-	-	-
South Korea	(Won)	1196.84	+2.68	628 - 739	1199.55	1192.60	-	-	-	-	-	-	-
Taiwan	(T$)	39.4183	+0.0266	976 - 390	39.5000	39.3000	-	-	-	-	-	-	-
Thailand	(Bt)	37.8046	+0.0107	696 - 396	37.8720	37.7210	-	-	-	-	-	-	-

†SDR rate for Dec 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Dec 31. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Morgan G'ty chges %
Europe													
Austria	(Sch)	12.2215	+0.029	190 - 240	12.2280	12.1805	12.2465	-2.5	12.2865	-2.1	12.3915	-1.4	+16.01
Belgium	(BFr)	36.2425	+0.09	060 - 790	36.2700	36.1450	36.4125	-4.0	36.6075	-3.5	37.0775	-2.2	-0.03
Denmark	(DKr)	6.7835	-0.0114	810 - 860	6.7906	6.7755	6.8057	-3.9	6.841	-3.4	6.9335	-2.2	+10.00
Finland	(FM)	5.8020	+0.0108	916 - 123	5.8129	5.7790	5.817	-3.1	5.8358	-2.3	5.882	-1.4	-
France	(FFr)	5.9085	+0.004	075 - 095	5.9170	5.8990	5.9267	-3.7	5.9529	-3.0	6.009	-1.7	-7.32
Germany	(D)	1.7371	+0.0006	366 - 376	1.7395	1.7325	1.7418	-3.3	1.7483	-2.6	1.7611	-1.4	+30.76
Greece	(Dr)	249.750	+0.4	500 - 000	250.000	249.100	253.45	-17.8	261.25	-18.4	294.75	-18.0	-
Ireland	(I£)	1.4087	-0.0005	079 - 094	1.4130	1.4070	1.4045	3.5	1.3981	3.0	1.3819	1.9	-
Italy	(L)	1704.25	-7.75	350 - 500	1715.75	1703.00	1711.95	-5.4	1725.6	-5.0	1771.75	-4.0	-38.15
Luxembourg	(LFr)	36.2425	+0.09	060 - 790	36.2790	36.1450	36.3625	-4.0	36.5575	-3.5	37.0275	-2.2	-0.03
Netherlands	(Fl)	1.9440	+0.0017	430 - 450	1.9466	1.9389	1.9483	-2.7	1.9541	-2.1	1.9647	-1.1	+20.81
Norway	(NKr)	7.5251	+0.0043	241 - 261	7.5350	7.5090	7.5476	-3.6	7.5678	-2.3	7.6351	-1.5	-18.44
Portugal	(Es)	176.830	+0.13	730 - 930	176.930	176.550	178.095	-8.6	180.335	-7.9	188.28	-6.5	-
Spain	(Pta)	142.920	-0.005	870 - 970	143.030	142.700	143.71	-6.6	144.88	-5.5	149.02	-4.3	-
Sweden	(SKr)	8.3528	+0.0176	478 - 578	8.3820	8.3135	8.384	-4.5	8.4278	-3.6	8.5626	-2.5	-37.95
Switzerland	(SFr)	1.4827	-0.0023	822 - 832	1.4875	1.4750	1.4842	-1.3	1.4858	-0.8	1.4837	-0.1	+26.45
UK	(£)	1.4905	+0.001	800 - 810	1.4840	1.4770	1.4775	2.4	1.4734	1.9	1.4623	1.2	-27.95
Ecu	-	1.1150	-	145 - 155	1.1167	1.1134	1.1116	3.7	1.1068	2.9	1.0955	1.7	-
SDR†	-	1.37593	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9981	-	980 - 981	0.9981	0.9970	-	-	-	-	-	-	-
Brazil	(Cr)	331.220	+10.31	215 - 225	331.250	331.215	-	-	-	-	-	-	-
Canada	(C$)	1.3143	-0.0097	140 - 145	1.3250	1.3130	1.315	-0.6	1.316	-0.5	1.3201	-0.4	-10.60
Mexico	(New Peso)	3.1080	+0.002	070 - 090	3.1090	3.1070	3.1097	-0.7	3.1138	-0.7	3.126	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	-9.40
Pacific/Middle East/Africa													
Australia	(A$)	1.4626	-0.0107	620 - 631	1.4750	1.4620	1.4638	-1.0	1.4668	-1.1	1.4749	-0.8	-45.49
Hong Kong	(HK$)	7.7240	-0.0035	230 - 250	7.7280	7.7225	7.7275	-0.5	7.7305	-0.3	7.7377	-0.2	-
India	(Rs)	31.3763	+0.0075	725 - 800	31.3800	31.3725	31.4563	-3.1	31.6613	-3.6	-	-	-
Japan	(Y)	112.395	+0.79	380 - 410	112.500	111.650	112.3	1.0	112.03	1.3	110.16	2.0	+115.65
Malaysia	(M$)	2.6675	-0.0265	660 - 690	2.6960	2.6660	2.6705	-1.3	2.6785	-1.6	2.72	-2.0	-
New Zealand	(NZ$)	1.7794	-0.0034	778 - 809	1.7895	1.7778	1.7807	-0.9	1.7838	-1.0	1.7919	-0.7	-
Philippines	(Peso)	27.7000	+0.05	000 - 000	27.9000	27.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7498	-0.0007	490 - 505	3.7520	3.7490	3.7583	-2.7	3.7698	-2.1	3.7898	-1.1	-
Singapore	(S$)	1.6113	+0.0023	110 - 115	1.6120	1.6075	1.6095	1.3	1.6078	0.9	1.6138	-0.2	-
S Africa (Com.)	(R)	3.4013	+0.0035	005 - 020	3.4020	3.3980	3.4176	-5.6	3.4468	-5.3	3.5536	-4.5	-
S Africa (Fin.)	(R)	4.2900	-	850 - 950	4.3000	4.2400	4.317	-7.6	4.375	-7.9	-	-	-
South Korea	(Won)	808.400	+1.25	300 - 500	808.500	807.400	811.4	-4.5	814.9	-3.2	833.4	-3.1	-
Taiwan	(T$)	26.6250	-	200 - 300	26.6700	26.6200	26.6839	-2.7	26.805	-2.7	-	-	-
Thailand	(Bt)	25.5350	-0.01	200 - 500	25.5500	25.5200	25.5625	-1.3	25.61	-1.2	26.06	-2.1	-

†SDR rate for Dec 30. Bid-offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Jan 2. Base average 1980/82=10

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.71	16.30	4.793	1.959	4702	5.363	20.76	487.9	394.3	23.05	4.091	1.864	3.627	2.760	310.1	2.475
Denmark	(DKr)	53.45	10	8.713	2.562	1.047	2513	2.867	11.10	260.8	210.8	12.32	2.186	0.996	1.938	1.475	165.7	1.323
France	(FFr)	61.34	11.48	10	2.940	1.201	2884	3.290	12.73	299.3	241.9	14.14	2.509	1.143	2.225	1.693	190.2	1.518
Germany	(DM)	20.86	3.904	3.401	1	0.409	980.9	1.119	4.331	101.8	82.27	4.809	0.853	0.389	0.757	0.576	64.70	0.516
Ireland	(I£)	51.06	9.553	8.324	2.447	1	2401	2.738	10.60	249.1	201.3	11.77	2.088	0.951	1.852	1.409	158.3	1.264
Italy	(L)	2.127	0.398	0.347	0.102	0.042	100.	0.114	0.442	10.38	8.387	0.490	0.087	0.040	0.077	0.059	6.595	0.053
Netherlands	(Fl)	18.64	3.489	3.040	0.894	0.365	876.7	1	3.871	90.97	73.52	4.298	0.763	0.347	0.676	0.515	57.82	0.461
Norway	(NKr)	48.17	9.013	7.853	2.309	0.943	2265	2.583	10	235.0	189.9	11.10	1.970	0.898	1.747	1.329	149.4	1.192
Portugal	(Es)	20.50	3.835	3.341	0.982	0.401	963.7	1.099	4.255	100.	80.83	4.725	0.838	0.382	0.743	0.566	63.56	0.507
Spain	(Pta)	25.36	4.745	4.134	1.216	0.497	1192	1.360	5.265	123.7	100.	5.846	1.037	0.473	0.920	0.700	78.64	0.628
Sweden	(SKr)	43.38	8.116	7.072	2.079	0.850	2040	2.327	9.006	211.6	171.1	10	1.774	0.808	1.573	1.197	134.5	1.074
Switzerland	(SFr)	24.45	4.574	3.985	1.172	0.479	1149	1.311	5.075	119.3	96.40	5.636	1	0.456	0.887	0.675	75.81	0.605
UK	(£)	53.66	10.04	8.748	2.572	1.051	2523	2.878	11.14	261.8	211.6	12.37	2.195	1	1.946	1.481	165.4	1.328
Canada	(C$)	27.57	5.159	4.495	1.322	0.540	1297	1.479	5.725	134.5	108.7	6.357	1.128	0.514	1	0.761	85.51	0.682
US	($)	36.23	6.779	5.907	1.737	0.710	1704	1.943	7.522	176.8	142.9	8.352	1.482	0.675	1.314	1	112.4	0.897
Japan	(Y)	322.5	60.34	52.57	15.46	6.316	15162	17.30	66.95	1573	1272	74.34	13.19	6.010	11.69	8.900	1000.	7.981
Ecu		40.41	7.560	6.587	1.937	0.791	1900	2.167	8.389	197.1	159.3	9.315	1.653	0.753	1.465	1.115	125.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kroner per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5720	0.5725	+0.0008	0.5736	0.5716	14,527	117,896
Jun	0.5699	0.5700	+0.0011	0.5705	0.5697	103	3,845
Sep	-	0.5671	-0.0012	-	-	44	199

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Dec 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 4¾	6 - 5	5½ - 5⅜	5 7/16 - 5 5/16	5⅜ - 5¼	5¼ - 5⅛
Sterling CDs	-	-	5 13/32 - 5 11/32	5 5/16 - 5¼	5 7/32 - 5 5/32	5 3/32 - 5 1/32
Treasury Bills	-	-	5 3/16 - 5 3/32	5 1/32 - 4 31/32	-	-
Bank Bills	-	-	5 9/32 - 5 7/32	5 3/16 - 5 1/16	5 - 4 13/16	-
Local authority deps.	4⅞ - 5	4⅞ - 5⅛	5¼ - 5 3/16	5¼ - 5 3/16	5 1/16 - 5 5/16	5 - 5⅛
Discount market deps.	6½ - 5¼	5 5/16 - 5 3/16	-	-	-	-

UK clearing bank base lending rate 5½ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1¾	4¼	4	3½	3½

Certs of Tax dep. under £100,000 is 2¼pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.6934pc. ECGD fixed rate Stlg. Export Finance. Make up day November 30, 1993. Agreed rate for period Dec 26, 1993 to Jan 25, 1993, Schemes II & III 6.90pc. Reference rate for period Oct 30, 1993 to Nov 30, 1993, Schemes IV & V 5.818pc. Finance House Base Rate 5½pc from Jan 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 31	Dec 24
Bills on offer	£200m	£200m
Total of applications	£716m	£780m
Total allocated	£200m	£200m
Min. accepted bid	£98.780	£98.780
Allotment at min. level	74%	40%

	Dec 31	Dec 24
Top accepted rate	4.8634%	4.9726%
Ave. rate of discount	4.6934%	4.8537%
Average yield	4.9538%	4.9146%
Offer at next tender	£200m	£200m
Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on page 17 in today's edition.

■ Pound in New York

Jan 3	—Latest—	— Prev. close —
£ spot	1.4765	1.4770
1 mth	1.4736	1.4740
3 mth	1.4695	1.4699
1 yr	1.4583	1.4580

FIXED INTEREST RATES

MONEY RATES

[illegible]

■ $ LIBOR FT London

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH EUROdOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open Interest figs. are for previous day

BANK RETURN

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

[illegible]

STOCK INDICES

	Dec 31	Dec 30	Dec 29	Dec 24	Dec 23	1993 High	1993 Low	Since comp. High	Since comp. Low
FT-SE 100	3418.4	3428.6	3462.0	3412.3	3398.5	3462.0	2737.6	3462.0	986.9
FT-SE Mid 250	3781.3	3788.6	3807.0	3772.2	3762.8	3807.0	2876.3	3807.0	1379.4
FT-SE Mid 250 ex ITs	3777.3	3772.5	3792.4	3761.1	3750.6	3792.4	2874.8	3792.4	1378.3
FT-SE-A 350	1703.6	1706.6	1721.5	1696.8	1691.7	1721.5	1349.7	1721.5	664.5
FT-SE SmallCap	1868.58	1864.80	1869.07	1845.17	1837.79	1869.88	1377.88	1869.88	1363.79
FT-SE SmallCap ex ITs	1818.16	1814.02	1806.78	1795.27	1789.04	1818.15	1380.06	1818.16	1363.79
FT-SE All-Share	1682.17	1685.28	1698.75	1677.01	1669.96	1698.75	1330.19	1698.75	61.92

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	*Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.5	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk.	5.5	Whiteaway Laidlaw	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West.	7
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire Bank	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5		
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5		
Citibank NA	5.5	Lloyds Bank	5.5		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	*Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

● Members of British Merchant Banking & Securities Houses Association
* In administration

RIGHTS OFFERS

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

GUIDE TO NEW UK SHARE CLASSIFICATION

* For explanation see page 22

A

AAF Inds 7 1/2p	Engineering, Vehicles
AAH*	Health Care
ABI Leisure 10p	Distributors
ABN Amro Fl5	Banks
ACT Group 10p*	Support Services
ADT 10c	Support Services
AFMIN Hldgs	Extractive Industries
AGA SK25	Chemicals
AG Holdings	Printing, Paper & Packaging
AIM 10p	Engineering
AMEC 50p*	Building & Construction
AMEC 6.5p Cum. Cnv. Prf	Building & Construction
ANZ $A1	Banks
API Group*	Printing, Paper & Packaging
APV 10p*	Engineering
ASEA B SK50	Electronic & Electrical Equipment
ASW Hldgs.*	Engineering
Abacus	Electronic & Electrical Equipment
Abbey	Building & Construction
Abbey National 10p*	Banks
Abbey Panels	Engineering, Vehicles
Abbeycrest 10p	Textiles & Apparel
Abbott Laboratories	Americans
Abbott Mead Vickers 5p*	Media
Aberdeen Steak Houses 5p	Leisure & Hotels
Aberdeen Trust 10p*	Other Financial
Aberforth Smaller Companies*	Investment Trusts
Aberforth Smaller Companies Warrants	Investment Trusts
Aberforth Split Level Cap	Investment Trusts
Aberforth Split Level Inc	Investment Trusts
Aberforth Split Level Units	Investment Trusts
Abtrust Emerg Economies	Investment Trusts
Abtrust Emerg Economies Wts	Investment Trusts
Abtrust European Index Inv	Investment Trusts
Abtrust European Index Wts	Investment Trusts
Abtrust New Dawn Inv. Tst*	Investment Trusts
Abtrust New Dawn Series B Warrants	Investment Trusts
Abtrust New Dawn Wrts	Investment Trusts
Abtrust New Thai	Investment Trusts
Abtrust New Thai Warrants	Investment Trusts
Abtrust Prefered Inc Tst	Investment Trusts
Abtrust Prefered Zero Div Pf	Investment Trusts
Abtrust Scotland Inv 10p	Investment Trusts
Acal 5p	Distributors
Acatos & Hutcheson 50p*	Food Manufacturers
Acorn Computer 10p	Electronic & Electrical Equipment
Adam & Harvey	Distributors
Admiral 5p*	Support Services
Adscene	Media
Adwest Group*	Diversified Industrials
Aegis Group 5p*	Media
Aegon Fl2.5	Life Assurance
Aerospace Engineering	Engineering
Afex Corp US $1.50	Other Financial
African Lakes	Distributors
Air London	Transport
Airflow Streamlines	Engineering, Vehicles
Airsprung Furniture Group 10p*	Household Goods
Airtours 10p*	Leisure & Hotels
Airtours 6 3/8p Cv Pf	Leisure & Hotels
Aitken Hume	Other Financial
Akzo Fl20	Chemicals
Alba 10p*	Electronic & Electrical Equipment
Albany Inv. 20p	Investment Trusts
Albert Fisher 5p*	Food Manufacturers
Albion 20p	Textiles & Apparel
Albrighton	Building Materials & Merchants
Alexander & Alexander	Insurance
Alex. & Alex. Servs. 11pc Cv Dbs. 2007	Insurance
Alexanders 10p	Distributors
Alexandra Workwear 10p*	Textiles & Apparel
Alexon 10p*	Retailers, General
Alldere	Retailers, General
Allegheny & Western Energy	Americans
Allen 5p	Building & Construction
Alliance Resources 1p	Oil Exploration & Production
Alliance Trust*	Investment Trusts
Allianz DM50	Insurance
Allied Colloids 10p*	Chemicals
Allied Irish	Banks
Allied Leisure 5p*	Leisure & Hotels
Allied London 10p*	Property
Allied Lon. 5 3/4pc Cnv. Red. Prf	Property
Allied-Lyons*	Spirits, Wines & Ciders
Allied Radio	Media
Allied Radio 8pc Ln 2001	Media
Allied Textile*	Textiles & Apparel
All Nippon Airways Y50	Transport
Alphameric 2.5p	Support Services
Alumasc*	Building Materials & Merchants
Alvis	Engineering
Amber Day 2 1/2 p*	Retailers, General
Amber Industrial	Chemicals
Amberley Group 2.5p	Building Materials & Merchants
Amco Corp	Building & Construction
Amdahl 5c	Americans
Amer Group Free A FM20	Diversified Industrials
American Barrick Resources Crp	Canadians
American Cyanamid $5	Americans
American Express 60c	Americans
American Gen Corp	Insurance
American International Grp. $2.50	Insurance
American Telephone & Tel. $1	Americans
American Trust*	Investment Trusts
American Trust B	Investment Trusts
Ameritech $1	Americans
Amersham International*	Health Care
Amicable Smaller	Investment Trusts
Amicable Smaller Wrnts	Investment Trusts
Aminex	Oil Exploration & Production
Amstrad 5p*	Electronic & Electrical Equipment
Anagen	Health Care
Andrews Sykes	Building & Construction
Angerstein	Insurance
Angerstein Warrants	Insurance
Anglesey Mining 5p	Extractive Industries
Anglia Secure 10p	Building & Construction
Anglia TV*	Media
Anglian Group 5p*	Building Materials & Merchants
Anglian Water*	Water
Anglo & Overseas Trust*	Investment Trusts
Anglo American 10c	Extractive Industries
Anglo Amer Coal 50c	Extractive Industries
Anglo American Gold R1	Extractive Industries
Anglo Amer Inds. R1	South Africans
Anglo Amer Inv. 5c	Other Financial
Anglo-Eastern Plants	Other Services & Businesses
Anglo Irish	Banks
Anglo Pacific Res	Extractive Industries
Anglo St. James 35p	Property
Anglo United	Other Services & Businesses
Anglovaal 5c	Extractive Industries
Anheuser-Busch $1	Americans
Antofagasta Hldgs	Diversified Industrials
Antofagasta 5% Cum. Prf. £1	Diversified Industrials
Aon Corp. $1	Insurance
Apollo Metals 10p	Engineering
Appleby Westward Grp 20p	Retailers, Food
Applyard 10p*	Distributors
Applied Holographics 5p	Other Services & Businesses
Aquarius Expln	Extractive Industries
Aran Energy 20p	Oil Exploration & Production
Arcadian International	Building & Construction
Archer (A.J.) 1p	Insurance
Archimedes Inc	Investment Trusts
Archimedes Cap 50p	Investment Trusts
Arcolectric A NV 5p	Electronic & Electrical Equipment
Arcon Intl 5p	Oil Exploration & Production
Argos 10p*	Retailers, General
Argyll Group*	Retailers, Food
Arjo Wiggins Appleton*	Printing, Paper & Packaging
Arlen 20p	Electronic & Electrical Equipment
Armour Trust 10p	Diversified Industrials
Arnotts	Retailers, General
Asahi Y50	Banks
Ascot Holdings	Breweries
ASDA Group*	Retailers, Food
Asda Property 20p*	Property
Asda Prop 5 1/8p Cv Pf	Property
Ash & Lacy 5p*	Engineering
Ashley (Laura) 5p*	Retailers, General
Ashley Grp. 5p	Building Materials & Merchants
Ashley Grp. 8.25p Cnv. Prf	Building Materials & Merchants
Ashtead Group 10p*	Building & Construction
Aspen Comms. 5p	Printing, Paper & Packaging
Asprey*	Retailers, General
Associated British Foods 5p*	Food Manufacturers
Associated British Eng. 1p	Distributors
Associated British Ports*	Transport
Associated Nursing Servs. 10p*	Health Care
Astec (BSR) 10p	Electronic & Electrical Equipment
Astra B SK2.5	Pharmaceuticals
Atkins Group	Textiles & Apparel
Atlantic Richfield	Oil Exploration & Production
Atlas Converting Equipment 5p*	Engineering
Atlas Copco B	Engineering
Attreus	Building Materials & Merchants
Attwoods*	Other Services & Businesses
Aukett Associates 5p	Property
Austin Reed*	Retailers, General
Automated Security 10p*	Support Services
Avesco*	Media
Aviva Petroleum	Oil Exploration & Production
Avon Rubber £1*	Engineering, Vehicles
Avonmore Foods A Ir5p	Food Manufacturers
Avonside Group*	Building & Construction
Ayer Hitam $M1	Extractive Industries
Aztec Expln	Extractive Industries

B

BAA*	Transport
BASF DM50	Chemicals
BAT Inds.*	Tobacco
BAT Inds. 12 1/4 pc Uns Ln 2003/08	Tobacco
BB & EA	Building & Construction
BBA 6.75pc Cum. Red. Cnv. Prf	Engineering, Vehicles
BBA Group*	Engineering, Vehicles
BBB Design Grp 5p	Media
BC Gas $1	Canadians
BCE	Canadians
BCE Hldgs. 5p	Leisure & Hotels
BDA Hldgs. 10p	Property
BET*	Support Services
BICC 50p*	Electronic & Electrical Equipment
BICC Cap Fin 10.75pc Cv Cap Bds 2020	Electronic & Electrical
BM Group 10p	Engineering
BMSS 10p	Building Materials & Merchants
BNB Resources 5p	Support Services
BOC Group*	Chemicals
BPB Inds. 50p*	Building Materials & Merchants
BPP Hldgs. 10p*	Support Services
BSG Intnl 10p*	Engineering, Vehicles
BSM	Support Services
BSN FFr10	Food Manufacturers
BSS Group 20p*	Distributors
BT*	Telecommunications
BTP 10p*	Chemicals
BTR*	Diversified Industrials
BTR Warrants	Diversified Industrials
BTR Warrants 1994/95	Diversified Industrials
BTR Warrants 1995/96	Diversified Industrials
BTR Warrants 1997	Diversified Industrials
BTR Warrants 1998	Diversified Industrials
BTR Nylex 50c	Diversified Industrials
BWD Secs 10p	Other Financial
BZW Convertible Inv Trust 10p*	Investment Trusts
BZW Convertible Units '96/02 6p	Investment Trusts
BZW Endowment Fund	Investment Trusts
Babcock Intl. 10p*	Engineering
Badgerline	Transport
Baggeridge Brick*	Building Materials & Merchants
Bailey (Ben) 10p	Building & Construction
Bailey (C. H.)	Other Services & Businesses
Baillie Gifford Japan*	Investment Trusts
Baillie Gifford Shin Nippon 10p	Investment Trusts
Baillie Gifford Technology 1p	Investment Trusts
Baird (Wm.) 50p*	Textiles & Apparel
Bakyrchik Gold	Extractive Industries
Baldwin 10p	Leisure & Hotels
Ball (AH) 5p	Building & Construction
Baltic 5p	Other Financial
Baltic 7pc Cnv. Red Prf	Other Financial
Bancaire Cie. FFr100	Other Financial
Banco Bilbao Vizcaya Pts500	Banks
Banco Santander Pts750	Banks
Bank Ireland Ir£1	Banks
Bank Leumi (U.K.)	Banks
Bank Scotland*	Banks
Bank of Montreal	Canadians
Bank of Nova Scotia	Canadians
Bank of Scotland 9 1/4pc Irred Prf	Banks
Bank of Scotland 9 3/4pc Pf	Banks
BankAmerica $1 9/16	Americans
Bankers Inv.*	Investment Trusts
Bankers Trust N.Y. $1	Americans
Banks (Sidney C.)	Food Manufacturers
Banner Homes 10p	Building & Construction
Barbour Index*	Media
Barclays £1*	Banks
Barcom 20p	Building & Construction
Bardon*	Building Materials & Merchants
Baring Chrysalis	Investment Companies
Baring Chrysalis Fund Warrants	Investment Companies
Baring Chrysalis C	Investment Companies
Baring Puma Fd	Investment Companies
Baring Secs Em Mkts	Investment Trusts
Baring Stratton Inv	Investment Trusts
Baring Tribune*	Investment Trusts
Barings 8pc Cum. 2nd Prf	Merchant Banks
Barings 9 3/4pc Non-Cum. Prf	Merchant Banks
Baris Hldgs	Building & Construction
Barlo Group Ir10p	Diversified Industrials
Barlow Rand 10c	South Africans
Barlows 10p	Property
Barr & WAT A	Leisure & Hotels
Barr (A.G.)*	Food Manufacturers
Barratt Dev. 10p*	Building & Construction
Barry Wehmiller 5p*	Engineering
Bass*	Breweries
Baxter Int'l Inc. $1	Health Care
Bayer DM50	Chemicals
Baynes (C) 5.6p (Net) Pf	Engineering
Baynes (Charles) 10p*	Engineering
Beales Hunter 20p	Electronic & Electrical Equipment
Beatrix Mines	Extractive Industries
Beattie (J) A*	Retailers, General
Beauford 10p	Engineering
Beckenham Group 5p	Engineering
Beckman (A) 10p	Textiles & Apparel
Bell Atlantic $1	Americans
BellSouth Corp	Americans
Bellway*	Building & Construction
Bellwinch	Building & Construction
Bemrose*	Printing, Paper & Packaging
Bennett & Fountain 20p	Distributors
Benson Group 2 1/2p	Engineering, Vehicles
Bensons Crisps 10p	Food Manufacturers
Bentalls 10p*	Retailers, General
Bergesen d-y A NK2.5	Transport
Berisford Intl 50p*	Food Manufacturers
Berkeley Group*	Building & Construction
Berry Starquest	Investment Trusts
Berry, Birch & Noble 10p	Other Financial
Bertam 10p	Other Services & Businesses
Bespak 10p*	Health Care
Beta Global Em. Mkts Wrnts	Investment Trusts
Beta Global Em. Mkts. 10p*	Investment Trusts
Beta Viet Nam Units	Investment Companies
Betacom 10p	Electronic & Electrical Equipment
Bethlehem Steel $8	Americans
Bett Bros. 20p	Building & Construction
Betterware*	Retailers, General
Beverley 12 1/2 p	Engineering
Bibby (J.) 50p	Diversified Industrials
Billam (J.) 10p	Engineering
Bilston & Battersea 10p	Household Goods
Bilton*	Property
Bimec Industries 5p	Engineering
Biotech. Invs Ptg Red. Prf. 2c	Investment Companies
Biotrace Intl	Health Care
Birkby 5p*	Property
Birkdale Grp	Media
Birse Group 10p	Building & Construction
Bisichi Mining 10p	Extractive Industries
Black & Decker $0.50	Engineering
Black & Edgington 1p	Support Services
Black (A & C)	Media
Black (P) Hldgs*	Textiles & Apparel
Black Arrow 20p	Other Services & Businesses
Blacks Leisure Gp 50p	Retailers, General
Blagden Inds.*	Printing, Paper & Packaging
Blenheim 6.4pc Pf	Media
Blenheim Group 5p*	Media
Bletchley Motor Grp. 20p	Distributors
Blick 5p*	Electronic & Electrical Equipment
Blockleys 20p	Building Materials & Merchants
Blue Circle 50p*	Building Materials & Merchants
Blue Circle 7 5/8pc Prf	Building Materials & Merchants
Bluebird Toys 10p	Leisure & Hotels
Blyvoor 25c	Extractive Industries
Boddington*	Breweries
Body Shop Intl. 5p*	Retailers, General
Bodycote Int'l*	Engineering
Bogod Group A 10p	Distributors
Bols Wessanen NV Fl5	Food Manufacturers
Bolton Grp 5p	Property
Booker*	Food Manufacturers
Boosey & Hawkes*	Leisure & Hotels
Boot (Henry) 10p*	Building & Construction
Booth Industries	Engineering
Boots*	Retailers, General
Border TV	Media
Borland Intl Inc 1c	Support Services
Borthwicks 10p	Food Manufacturers
Bostrom 5p	Engineering, Vehicles
Boulder Gold	Extractive Industries
Bourne End Prop	Property
Boustead 10p	Distributors
Bow Valley	Oil Exploration & Production
Bowater 50p*	Printing, Paper & Packaging
Bowater 7.75pc Cnv Prf	Printing, Paper & Packaging
Bowater Inc	Americans
Bowthorpe 10p*	Electronic & Electrical Equipment
Boxmore Intl 10p*	Printing, Paper & Packaging
Bracken 90c	Extractive Industries
Bradford Prop. 5p*	Property
Bradstock Group 5p*	Insurance
Brake Bros. 10p*	Retailers, Food
Brammer 20p*	Distributors
Brandon Hire 10p	Building & Construction
Brascan	Canadians
Brasway 10p	Engineering
Brazilian Inv Tst	Investment Companies
Brazilian Warrants	Investment Companies
Break for the Border 10p	Leisure & Hotels
Bredero Props	Property
Breedon	Building Materials & Merchants
Brent Intl 10p*	Chemicals
Brent Walker 10p	Leisure & Hotels
Bridge Oil	Oil Exploration & Production
Bridgend Group 10p	Distributors
Bridon*	Engineering
Bridport-Gundry 20p	Textiles & Apparel
Brierley Invs	Diversified Industrials
Bristol Evening Post*	Media
Bristol Scotts	Leisure & Hotels
Bristol Water Hldgs plc*	Water
Britannia Group 5p	Building & Construction
Britannic 5p*	Life Assurance
British Aerospace 10p*	Engineering
Brit Aero 7.75p (Net) Cnv. Prf	Engineering
British Airways*	Transport
Brit Airway Cap 9 3/4pc Cnv	Transport
British Assets*	Investment Trusts
British Assets IL 2005 10p	Investment Trusts
British Bio-Technology*	Pharmaceuticals
British Bloodstock	Other Services & Businesses
British Borneo 10p*	Oil Exploration & Production
British Data Management*	Support Services
British Dredging	Building Materials & Merchants
British Empire Sec. Wrnts	Investment Trusts
British Empire Securities 10p*	Investment Trusts
British Fittings Grp 20p	Distributors
British Gas*	Gas Distribution
British Investment 5p	Investment Trusts
British Land*	Property
Brit Land 6 5/8pc Cnv Prf	Property
Brit Land 9 3/8pc Deb 2028	Property
British Mohair	Textiles & Apparel
British Petroleum*	Oil, Integrated
British Polythene Inds.*	Printing, Paper & Packaging
Brit Polythene 7 1/2pc Prf	Printing, Paper & Packaging
British Steel 50p*	Engineering
British Thornton Hldgs 5p	Printing, Paper & Packaging
British Vita*	Chemicals
Britton Group 1p*	Printing, Paper & Packaging
Brixton Estate*	Property
Broadcastle 5p	Other Financial
Broadgate Inv Trust	Investment Trusts
BH Proprietary $A1	Diversified Industrials
Bromsgrove Inds. 5p*	Engineering
Brooks Tool 5p	Engineering
Brooks Service	Support Services
Brown & Jackson*	Retailers, General
Brown & Tawse	Distributors
Brown (N) 10p*	Retailers, General
Brunner Inv.*	Investment Trusts
Bruntcliffe Aggregates	Extractive Industries
Bryant Group*	Building & Construction
Buckingham Int'l. 10p	Leisure & Hotels
Bucknall 1p	Property
Budgens 10p*	Retailers, Food
Buffels R1	Extractive Industries
Bula Res Ir1p	Oil Exploration & Production
Bulgin A 5p	Electronic & Electrical Equipment
Bullers 1p	Textiles & Apparel
Bullough 20p*	Engineering
Bulmer (H.P.) 5p*	Spirits, Wines & Ciders
Bunzl*	Printing, Paper & Packaging
Burford Hldgs.*	Property
Burlington 12 1/2 p	Other Financial
Burmah Castrol*	Oil, Integrated
Burmine	Extractive Industries
Burn Stewart Distillers 10p*	Spirits, Wines & Ciders
Burndene 5p*	Distributors
Burnfield 10p*	Engineering
Burton Group 10p*	Retailers, General
Burtonwood Brewery*	Breweries
Business Post	Support Services
Business Technology 10p	Electronic & Electrical Equipment

C

CALA 5p*	Building & Construction
CIA Group 5p*	Media
CI Group 10p	Engineering
CML Microsystems 5p*	Electronic & Electrical Equipment
CPC Intl. 25c	Americans
CRA $2	Extractive Industries
CRH	Building Materials & Merchants
CRP Leisure	Building & Construction
CRT Group 10p*	Support Services
CSR $A1	Building Materials & Merchants
CSX Corp	Transport
CU Environmental Tst	Investment Trusts
CU Environmental Wrnts	Investment Trusts
Cable & Wireless*	Telecommunications
Cable & Wireless 7pc Cnv. 2008	Telecommunications
Cadbury Schweppes*	Food Manufacturers
Caffyns 50p	Distributors
Caird Group 10p	Other Services & Businesses
Caird 7p Cnv. Red. Prf. 2009 10p	Other Services & Businesses
Calm Energy*	Oil Exploration & Production
Calebread Robey "A"	Building Materials & Merchants
Calderburn 10p*	Other Services & Businesses
Caldwell Invs. 10p	Textiles & Apparel
Caledonia Invs. 5p*	Other Financial
Caledonia Mining Corp	Extractive Industries
California Energy Co Inc	Americans
Calor Group 50p*	Gas Distribution
Cambridge Isotope Labs	Chemicals
Camellia 10p	Other Financial
Campari Int. 20p	Textiles & Apparel
Campbell & Armstrong 5p	Building & Construction
Canadian Imperial Bank	Canadians
Canadian Pacific	Canadians
Canadian Pacific 4pc Deb	Canadians
Canadian Pizza	Food Manufacturers
Candover Inv.*	Investment Trusts
Canning (W.)*	Chemicals
Cannon Street Invs 20p*	Diversified Industrials
Cantab Pharm	Pharmaceuticals
Cantors Ord	Retailers, General
Cape	Building Materials & Merchants
Capo Range	Other Services & Businesses
Capita Group*	Support Services
Capital & Regional Prop*	Property
Capital Industries 1p*	Printing, Paper & Packaging
Capital Radio 2 1/2p*	Media
Caradon*	Building Materials & Merchants
Caradon 7.25p Cnv. Prf. 15p	Building Materials & Merchants
Carclo Engineering 5p*	Engineering
Cardiff Prop 20p	Property
Carlisle Group	Other Financial
Carlton Comms 6.5p Prf	Media
Carlton Communications*	Media
Carnaud Metalbox FFr10	Printing, Paper & Packaging
Carpetright*	Retailers, General
Carr's Milling	Food Manufacturers
Caskel 10p*	Distributors
Cassidy Brothers 10p	Textiles & Apparel
Castings 10p*	Engineering
Castle Cairn Inv	Investment Trusts
Castle Cairn Warrants	Investment Trusts
Castle Communications 5p	Leisure & Hotels
Castle Mill 2 1/2p	Textiles & Apparel
Cater Allen £1*	Other Financial
Cathay Intl.*	Household Goods
Cathay Pacific Airlines	Transport
Cattle's (Hldgs) 10p*	Other Financial
Caverdale 1p	Engineering, Vehicles
Celsis Intl	Health Care
Central ITV*	Media
Central Motor Auctions	Distributors
Central Pacific	Oil Exploration & Production
CentreGold	Media
Chamberlin & Hill	Engineering
Channel Hldgs 5p	Electronic & Electrical Equipment
Charles Sidney	Distributors
Charter 2p*	Diversified Industrials
Chase Manhattan $12.5	Americans
Cheam Group A	Water
Cheam Group B	Water
Chemex International	Other Services & Businesses
Chemring Group 5p*	Engineering
Chesterfield*	Property
Chesterfield 5.25pc Cv Cm Pf	Property
Chevron Cpn. $3	Oil, Integrated
Chieftain Grp 5p	Building Materials & Merchants
Chillington Cpn	Other Services & Businesses
Chiltern Capital	Other Financial
Chiltern Radio 10p	Media
China & Eastern 50c	Investment Companies
China Inv Tst	Investment Trusts
China Inv Warrants	Investment Trusts
China Light HK$5	Electricity
Chloride Group*	Electronic & Electrical Equipment
Christie Group 2p	Other Financial
Christies Int'l 5p*	Retailers, General
Chrysalis	Leisure & Hotels
Chrysler $6 1/4	Americans
Chubb Security 5p*	Support Services
Church*	Retailers, General
Citicorp $1	Americans
City Centre Restaurants*	Leisure & Hotels
City Merchants High Yield	Investment Trusts
City Site Estates	Property
City of London PR 10p	Media
City of Oxford Inc.5p	Investment Trusts
City of Oxford Warrants	Investment Trusts
City of Oxford Zero Prf	Investment Trusts
Claremont Garments 10p*	Textiles & Apparel
Clarke (T.) 10p	Building & Construction
Clarke, Nickolls & Coombs	Property
Clarkson (Horace)	Transport
Clayhithe 10p	Other Financial
Clayhithe 9 1/2pc Cnv Ln 2000-1	Other Financial
Clayton Son 50p	Engineering
Cleveland Trust	Property
Clinton Cards 10p	Retailers, General
Clondalkin Group	Printing, Paper & Packaging
Close Bros*	Merchant Banks
Cluff Res	Extractive Industries
Clyde Blowers	Engineering
Clyde Petroleum*	Oil Exploration & Production
Coal Invs	Extractive Industries
Coats Viyella*	Textiles & Apparel
Cohen (A) 20p ord	Engineering
Colefax & Fowler 10p	Household Goods
Coles Myer 50c	Retailers, General
Colgate-Palmolive $1	Americans
Colorgen Inc	Engineering
Colorvision 5p	Retailers, General
Comeo Grp	Support Services
Command Petroleum	Oil Exploration & Production
Commercial Union*	Insurance
Community Hospitals Grp*	Health Care
Compass Group 5p*	Leisure & Hotels
Compco Hldgs. 20p	Property
Computer People 5p	Support Services
Concentric 10p*	Engineering
Conrad 10p	Textiles & Apparel
Conrad Ritblat Sinclair Goldsmith	Property
Cons Allax	Other Financial
Cons. Murchison 10c	Extractive Industries
Consolidated Plantations M$0.5	Other Services & Businesses
Cont'l Bank Corp $4	Americans
Cont Assets Tst. 75p*	Investment Trusts
Cont Assets Tst. Wrnts	Investment Trusts
Contra-Cyclical Capital	Investment Trusts
Contra-Cyclical Income	Investment Trusts
Contra-Cyclical Zero Div. Prf	Investment Trusts
Control Techniques 10p*	Electronic & Electrical Equipment
Cook (D.C.)	Distributors
Cook (Wm.) 20p*	Engineering
Cookson 50p.*	Diversified Industrials
Cooper (Fr) 10p	Engineering
Coplex Resources	Oil Exploration & Production
Copymore 5p	Electronic & Electrical Equipment
Cornwell Parker A 5p*	Household Goods
Corporate Services 2p	Support Services
Cortecs	Health Care
Cosalt	Other Services & Businesses
Costain Group*	Building & Construction
Country Casuals 5p*	Retailers, General
Countryside Props*	Building & Construction
County Smaller Cos	Investment Trusts
County Smaller Cos Wrnts	Investment Trusts
CountyGlen	Property
Court Cavendish	Health Care
Courtaulds*	Chemicals
Courtaulds Textiles*	Textiles & Apparel
Courts*	Retailers, General
Courtyard Leisure 5p	Leisure & Hotels
Coutts Consulting	Support Services
Cowie (T.) 5p*	Distributors
Crabtree	Engineering
Cradley Group 10p	Printing, Paper & Packaging
Cranswick 10p	Food Manufacturers
Cray Electronic 10p*	Electronic & Electrical Equipment
Crean (J.) Units	Food Manufacturers
Creighton Naturally 20p	Household Goods
Crest Nichol 10p*	Building & Construction
Crest Nichol 5 1/2pc Prf	Building & Construction
Crest Packaging	Printing, Paper & Packaging
CrestaCare 10p	Health Care
Creston 10p	Property
Critchley Group*	Electronic & Electrical Equipment
Crockfords*	Leisure & Hotels
Croda Intl 10p*	Chemicals
Croesus Mining	Extractive Industries
Cropper (J)	Printing, Paper & Packaging
Crossroads Oil 5p	Oil Exploration & Production
Crusader 20c	Oil Exploration & Production
Cullen's Hldgs. 10p	Retailers, Food
Culver 1p	Distributors
Cupid 10p	Textiles & Apparel
Cussins Property	Building & Construction

D

Daejan (Hldgs)*	Property
Dagenham Motors 10p	Distributors
Dai-Ichi Kangyo Bank Y50	Banks
Daily Mail 'A' 50p*	Media
Daimler-Benz DM50	Engineering, Vehicles
Dairy Farm Intl	Retailers, Food
Daiwa Securities Y50	Other Financial
Dale Elect. 10p	Electronic & Electrical Equipment
Dalepak Foods 5p	Food Manufacturers
Dalgety*	Food Manufacturers
Dana Corp. $1	Americans
Dana Exploration	Oil Exploration & Production
Danae (Cap) 2p	Investment Trusts
Danae (Inc.)	Investment Trusts
Daniels (S.) 5p	Food Manufacturers
Danka Bus. Systems*	Electronic & Electrical Equipment
Darby Group 5p	Building Materials & Merchants
Dares Estates 5p	Property
Dart Group 10p	Transport
Dartmoor Inv 6 1/4pc RPI-Lk Db 2005	Investment Trusts
Dartmoor Inv Tst Warrants	Investment Trusts
Dartmoor Inv. Tst. 10p	Investment Trusts
Data General	Americans
Davenport Vernon 10p	Distributors
David Brown*	Engineering
David Lloyd*	Leisure & Hotels
Davies (D.Y.) 5p	Property
Davis Service*	Support Services
Dawson Intl.*	Textiles & Apparel
Dawsongroup*	Transport
De Beers 40pc Prf. R5	Extractive Industries
De Beers Linked Units	Extractive Industries
De La Rue*	Printing, Paper & Packaging
de Morgan 5p	Property
Debenham Tewson & Chinnocks 5p*	Property
Decora Inds	Americans
Deelkraal 20c	Extractive Industries
Delaney 10p	Household Goods
Dellan Lloyds Inv. Tst	Insurance
Delta*	Electronic & Electrical Equipment
Delta Gold 25c	Extractive Industries
Delyn Group 5p	Printing, Paper & Packaging
Dencora	Property
Denmans Elect	Distributors
Densitron Intl. 5p	Electronic & Electrical Equipment
Derby Tst. Cap 10p	Investment Trusts
Derby Tst. Inc	Investment Trusts
Derlan Industries Ltd	Canadians
Derwent Valley 5p*	Property
Deutsche Bank DM50	Banks
Development Secs*	Property
Devex Ltd	Extractive Industries
Devro Intl*	Food Manufacturers
Dewhirst 10p*	Textiles & Apparel
Dewhurst 'A' 10p	Electronic & Electrical Equipment
Dickie (James)	Engineering
Dinkie Heel 5p	Textiles & Apparel
Diploma 5p*	Distributors
Division Group	Support Services
Dixon Motors	Distributors
Dixons (Net) Div. Cum. Red. Prf. 5p	Retailers, General
Dixons Group 10p*	Retailers, General
Dobson Park 10p*	Engineering
Doeflex 10p	Chemicals
Dolphin Pack 5p	Printing, Paper & Packaging
Domestic & General Grp. 10p*	Insurance
Dominion Mining	Extractive Industries
Domino Print Sci. 5p*	Electronic & Electrical Equipment
Donelon Tyson 10p	Building & Construction
Doornfontein R0.25	Extractive Industries
Dorling Kindersley*	Media
Dowding & M. 10p*	Electronic & Electrical Equipment
Dragon Mining	Extractive Industries
Dragon Oil Ir0.05	Oil Exploration & Production
Drayton Blue Chip Tst	Investment Trusts
Drayton Blue Chip Zero Prf	Investment Trusts
Drayton Eng & Intl*	Investment Trusts
Drayton Far East*	Investment Trusts
Drayton Korea Tst	Investment Trusts
Drayton Korea Tst. Warrants	Investment Trusts
Drayton Recovery Pfd Growth	Investment Trusts
Drayton Recovery Trust	Investment Trusts
Drew Scientific	Health Care
Driefontein R0.5	Extractive Industries
Druck Hldgs. 5p*	Electronic & Electrical Equipment
Drummond Group	Textiles & Apparel
Dudley Jenkins	Support Services
Dun & Bradstreet $1	Americans
Dundee & London*	Investment Trusts
Dunedin Income Growth*	Investment Trusts
Dunedin Japan Inv	Investment Trusts
Dunedin Japan Warrants	Investment Trusts
Dunedin Worldwide*	Investment Trusts
Dunloe House Grp. Ir25p	Property
Dunton Group 5p	Building & Construction
Durban Deep R1	Extractive Industries
Dwyer Ir25p	Property
Dyson (J. & J.)	Building Materials & Merchants
Dyson (J. & J.) A	Building Materials & Merchants

E

EBC 50p	Building & Construction
ECU Trust 10p	Investment Trusts
ECU Trust Warrants	Investment Trusts
ERG	Other Services & Businesses
EFM Dragon Trust*	Investment Trusts
EFM Dragon Tst. Wrnts 2005	Investment Trusts
EFM Dragon Wrnts	Investment Trusts
EFM Income Trust	Investment Trusts
EFM Income Zero Div Prf	Investment Trusts
EFM Japan Tst	Investment Trusts
EFM Japan Wts	Investment Trusts
EFM Java Trust	Investment Trusts
EFM Java Trust Warrants	Investment Trusts
EFM Small Companies Tst	Investment Trusts
EFM Small Co's Warrants	Investment Trusts
EFT Group	Other Financial
EIS*	Engineering
EMAP*	Media
ERF (Hldgs)	Engineering, Vehicles
ERGO 50c	Extractive Industries
EW Fact	Support Services
Eadie	Engineering
Eaglet Inv Tst	Investment Trusts
Eaglet Warrants	Investment Trusts
East German Inv. Tst	Investment Companies
East Midlands*	Electricity
East Rand Prp. R1	Extractive Industries
East Surrey Hldgs 10p*	Water
Eastern Electricity*	Electricity
Eastern Transvaal Cons. 2 1/2c	Extractive Industries
Eastmet Ltd	Extractive Industries
Eastvaal Gold	Extractive Industries
Eaton Corpn. 50c	Americans
Echlin Inc	Americans
Echo Bay Mines Limited	Canadians
Edinburgh Fund Managers 5p	Other Financial
Edinburgh Inv.*	Investment Trusts
Edinburgh Oil & Gas	Oil Exploration & Production
Edmond Hldgs. 10p	Building & Construction
Elan Corp. Ir0.04	Pharmaceuticals
Elandsrand Gld. 20c	Extractive Industries
Elbief 10p	Textiles & Apparel
Eldridge, Pope 'A'	Breweries
Elec. Data Procg. 5p*	Support Services
Eleco 10p	Property
Electra Inv. Tst.*	Investment Trusts
Electric & General 5p*	Investment Trusts
Electrocomponents 10p*	Distributors
Electrolux B SK25	Electronic & Electrical Equipment
Electron House 10p	Distributors
Elliott (B.)	Engineering
Ellis & Everard*	Distributors
Elsevier	Media
Elswick 5p	Printing, Paper & Packaging
Embassy Property Grp 5p	Property
Emerald Energy	Oil, Integrated
Emess	Electronic & Electrical Equipment
Emperor Mines	Extractive Industries
Engelhard	Other Services & Businesses
English & Caledonian Inv	Investment Trusts
English & Overseas Props. 10p	Property
English & Scottish Inv.*	Investment Trusts
English & Scottish Investors Wrnts	Investment Trusts
English China Clays*	Extractive Industries
English Natl Inv. Defd	Investment Trusts
English Natl Inv. Pfd 100p	Investment Trusts
Ennex Intl Ir10p	Extractive Industries
Enso-Gutzeit R FM10	Printing, Paper & Packaging
Ensor Hldgs. 10p	Building Materials & Merchants
Enterprise Computer 10p	Distributors
Enterprise Oil*	Oil Exploration & Production
Enviromed	Health Care
Environmental Inv	Investment Companies
Environmental Warrants	Investment Companies
Epwin Group 10p*	Building Materials & Merchants
Equatorial Mining	Extractive Industries
Equity Consort £1*	Investment Trusts
Equity Consort Defd. 50p	Investment Trusts
Era Group 5p	Retailers, General
Ericsson (LM) SK10	Electronic & Electrical Equipment
Erith	Building Materials & Merchants
Espirito Santo Financial Hldg. $10	Banks
Esselte AB Skr12 1/2	Other Services & Businesses
Essex Furniture	Retailers, General
Estates & Agency Hldgs	Property
Estates & General 20p	Property
Estates & General 8pc Cv. Pf	Property
Etam 10p*	Retailers, General
Etonbrook Properties	Property
Euro Disney SCA FFr10	Leisure & Hotels
Eurocamp 5p*	Leisure & Hotels
Eurocopy 5p	Electronic & Electrical Equipment
Euromoney Publishers	Media
Europa Minerals 10p	Extractive Industries
Europe Energy Group 5p	Oil Exploration & Production
European Assets DF1	Investment Companies
European Colour 5p	Chemicals
European Leisure	Leisure & Hotels
European Motor 40p*	Distributors
European Smaller Companies*	Investment Trusts
European Smaller Warrants	Investment Trusts
Eurotherm 10p*	Electronic & Electrical Equipment
Eurotunnel Units*	Transport
Eurotunnel Wts 1993	Transport
Evans Halshaw*	Distributors
Evans of Leeds*	Property
Eve Group*	Building & Construction
Everest Foods 10p	Food Manufacturers
Evergreen Res	Oil Exploration & Production
Ewart	Property
Ex Co of Louisiana Sers A Cv Pfd $1	Oil Exploration & Production
Ex-Lands 10p	Leisure & Hotels
Ex-Lands 7 1/2pc Cv 2020	Leisure & Hotels
Ex. Co. Louisiana $0.01	Oil Exploration & Production
Excalibur Group	Engineering
Exeter Preferred Capital*	Investment Trusts
Exeter Prfd Cap. Zero Deb 2002	Investment Trusts
Exmoor Dual Inc 100p	Investment Trusts
Exmoor Dual Inv.Tst	Investment Trusts
Exmoor Dual Zero Cpn Prf	Investment Trusts
Expamet Int'l*	Engineering
Explaura Hldgs. Ltd. Vtg. 5p	Building Materials & Merchants
Exxon	Oil, Integrated

F

FAI Insurances $A0.10	Insurance
FKI 10p*	Engineering
FNFC 6.3pc Cnv. Rd. Prf	Banks
FPL Group 1c	Americans
FR Group*	Engineering
Faber Prest*	Distributors
Fairbriar	Building & Construction
Fairey Group 5p*	Electronic & Electrical Equipment
Fairhaven Intl. 5c	Oil Exploration & Production
Fairline Boats 10p	Leisure & Hotels
Fairway Group 5p	Printing, Paper & Packaging
Farepak 10p*	Retailers, Food
Farnell Electronics 5p*	Distributors
Faringford 5p	Food Manufacturers
Faupel Trading 5p	Textiles & Apparel
Feedback 10p	Electronic & Electrical Equipment
Fenner*	Engineering
Ferguson International*	Printing, Paper & Packaging
Ferranti Int'l 10p	Electronic & Electrical Equipment
Ferraris Group	Health Care
Ferromet Group 1p	Distributors
Ferrum Hldgs. 50p	Engineering
Ferry Pickering 10p	Printing, Paper & Packaging
Fidelity European Values Units*	Investment Trusts
Fidelity European Values Warrants	Investment Trusts
Fidelity Japan OTC & Reg Fd	Investment Companies
Fidelity Japan OTC Warrants	Investment Companies
Field Group*	Printing, Paper & Packaging
Fife Indmar	Distributors
FII Group	Textiles & Apparel
Filofax Group 5p*	Other Services & Businesses
Finansieringsselskabet Gefion DK100	Other Financial
Fine Art Dev. 5p*	Retailers, General
Fine Decor	Household Goods
Finlay (James)*	Food Manufacturers
Finsbury Growth Trust*	Investment Trusts
Finsbury Smllr Co's Tst	Investment Trusts
Finsbury Smllr Cos Zero Pf	Investment Trusts
Finsbury Trust	Investment Trusts
Finsbury Trust A	Investment Trusts
Fired Earth Tiles 10p	Retailers, General
First Ireland Inv. 10p	Investment Trusts
First Ireland Warrants	Investment Trusts
First Leisure Corp.*	Leisure & Hotels
First Natl Fnace 7pc Cv. Pf	Banks
First Natl. Finance 10p*	Banks
First Pacific 1c	Investment Companies
First Philippine Inv. Tst*	Investment Trusts
First Philippine Warrants	Investment Trusts
First Spanish Inv	Investment Trusts
First Spanish Inv Warrants	Investment Trusts
First Spanish Warrants 1997	Investment Trusts
First Spanish Cv Ln 1997 25p	Investment Trusts
First Technology 10p*	Engineering, Vehicles

هكذا منه الأصل

GUIDE TO NEW UK SHARE CLASSIFICATION

* For explanation see page 22

K

Kajima Corp. Y50 ... Building & Construction
Kakuei K5/- ... Food Manufacturers
Kalamazoo 10p ... Support Services
Kalon Group 15p* ... Chemicals
Kalis Minerals Ir5p ... Extractive Industries
Kalsey Inds ... Engineering
Kelt Energy 10p ... Oil Exploration & Production
Kembrey 5p ... Electronic & Electrical Equipment
Kenmare ... Extractive Industries
Kenwood Appliances* ... Electronic & Electrical Equipment
Kerry Group A IR10p ... Food Manufacturers
Kershaw (A.) 5p ... Electronic & Electrical Equipment
Kewill Systems ... Support Services
Keystone Inv. 50p* ... Investment Trusts
Kidston Gold Mines 20cts ... Extractive Industries
King & Shaxson 20p ... Other Financial
Kingfisher* ... Retailers, General
Kingspan Group Ir10p ... Building Materials & Merchants
Kinross R1 ... Extractive Industries
Kirin Brewery Y50 ... Breweries
Kitty Little 5p ... Household Goods
Kleerfold Inc $0.01 ... Printing, Paper & Packaging
Kleeneze Hldgs ... Retailers, General
Kleinwort Benson Grp.* ... Merchant Banks
Kleinwort Charter* ... Investment Trusts
Kleinwort Development Fund ... Investment Trusts
Kleinwort Emerg Markets ... Investment Trusts
Kleinwort Emerg Mkts Wrts ... Investment Trusts
Kleinwort Endowment Policy Tst* ... Investment Trusts
Kleinwort High Income 5p ... Investment Trusts
Kleinwort High Income Zero Div Prf ... Investment Trusts
Kleinwort O'seas Tst* ... Investment Trusts
Kleinwort Smaller Cos ... Investment Trusts
Kloof Gold 25c ... Extractive Industries
Kobe Steel ... Engineering
Kode Int ... Electronic & Electrical Equipment
Korea China Super Fd ... Investment Trusts
Korea-Europe Fd. 10c ... Investment Companies
Korea Liberalisation Fd. 1c ... Investment Companies
Korea Liberalisation Warrants ... Investment Companies
Kuala Lumpur Kepong Bhd. M$1 ... Other Services & Businesses
Kunick 10p ... Leisure & Hotels
Kunick 8 1/4p Prf ... Leisure & Hotels
Kvaerner B ... Diversified Industrials
Kwik-Fit Hldgs. 10p* ... Distributors
Kwik Save 10p* ... Retailers, Food
Kymmene FM20 ... Printing, Paper & Packaging
Kynoch ... Health Care

L

LGW 5p ... Textiles & Apparel
LIT Hldgs 1/2p ... Other Financial
LPA Industries 10p ... Electronic & Electrical Equipment
LWT (Hldgs)* ... Media
Ladbroke 10p* ... Leisure & Hotels
Lafarge-Coppee FFr25 ... Building Materials & Merchants
Laing (John)* ... Building & Construction
Laing (John) A N/Vtg* ... Building & Construction
Laing (John) 6.4pc Cv Pf ... Building & Construction
Laird Group* ... Engineering, Vehicles
Lambert Howarth 20p ... Textiles & Apparel
Lamont Hldgs. 10p* ... Textiles & Apparel
Land Securities £1* ... Property
Land Securities 10pc Deb 2027 ... Property
Land Securities 10pc 2025 ... Property
Land Securities 10pc Deb. 2030 ... Property
Laporte* ... Chemicals
Laser-Scan 5p ... Support Services
Lasmo* ... Oil Exploration & Production
Lasmo "Ops" 10p ... Oil Exploration & Production
Lasmo 9 5/8 pc Cum Prf. £1 ... Oil Exploration & Production
Latham (J.) £1 ... Building Materials & Merchants
Latin American Inv. Tst ... Investment Companies
Latin American Warrants ... Investment Companies
Latin American Extra Yield ... Investment Companies
Law Debenture* ... Investment Trusts
Lawson Mardon Grp. Ltd ... Printing, Paper & Packaging
Lazard High Inc ... Investment Trusts
Le Creuset FF0.35 ... Household Goods
Learmonth & Burchett* ... Support Services
Lec Refrigeration ... Electronic & Electrical Equipment
Leeds Group* ... Textiles & Apparel
Legal & General* ... Life Assurance
Leigh Interests 5p* ... Other Services & Businesses
Leigh Interests 6pc Cv Pf ... Other Services & Businesses
Lend Lease 50c ... Property
Lendu Hldgs. 5p ... Other Services & Businesses
Lep Group 2p ... Support Services
Leslie 65c ... Extractive Industries
Leslie Wise 20p ... Textiles & Apparel
Letinvest 11 1/4pc Step Int 1st Mtg Db 2012 ... Property
Leveraged Opportunity Tst ... Investment Trusts
Lex Service* ... Distributors
Liberty* ... Retailers, General
Liberty Non-Vtg ... Retailers, General
Liberty Life Assoc. of Africa ... Life Assurance
Life Sciences Intl.* ... Health Care
Lilleshall 10p* ... Building Materials & Merchants
Lilleshall 8pc (Net) Cv Prf ... Building Materials & Merchants
Lilliput ... Retailers, General
Lilly (Eli) ... Pharmaceuticals
Lincat Group 10p ... Engineering
Lincoln House ... Household Goods
Lincoln National Corp ... Life Assurance
Linread ... Engineering
Linton Park 50p* ... Food Manufacturers
Linx Printing Techs ... Engineering
Lionheart 5p ... Household Goods
Lister ... Textiles & Apparel
Lloyd Thompson 5p* ... Insurance
Lloyds £1* ... Banks
Lloyds Abbey Life 5p ... Life Assurance
Lloyds Chemists* ... Retailers, General
Lloyds Chemists 7.5p Cum Prf. 5p ... Retailers, General
Lloyds Smlr Cos Capital ... Investment Trusts
Lloyds Smlr Cos Dividend ... Investment Trusts
Lloyds Smlr Cos Package Units ... Investment Trusts
Locker (T) 5p ... Engineering
Locker (T) A 5p ... Engineering
Lockheed Crpn. $1 ... Americans
Logica 10p* ... Support Services
London & Assoc Inv. 10p ... Property
London & Clydeside ... Building & Construction
London & Manchester* ... Life Assurance
London & Metropolitan 5p ... Property
London & Overseas Freighters ... Transport
London & Strathclyde ... Investment Trusts
London Atlantic* ... Investment Trusts
London Amer Growth Tst* ... Investment Trusts
London Amer Growth Wrnts ... Investment Trusts
London Elec* ... Electricity
London Finance & Invs ... Other Financial
London Forfaiting* ... Other Financial
London Insce Mkt* ... Insurance
London Intnl 10p* ... Health Care
London Merchant* ... Property
London Merchant Secs Defd.* ... Property
London Merchant Secs. 7 3/4pc Cv. Ln. 2000-05 ... Property
London Scottish Bank 10p* ... Other Financial
London Securities ... Property
Lonrho* ... Diversified Industrials
Lookers* ... Distributors
Lookers 8pc Cv Cm Rd Pf %1 ... Distributors
Lopex 5p ... Media
Loraine R1 ... Extractive Industries
Lovell (Y.J.) ... Building & Construction
Low & Bonar 50p* ... Printing, Paper & Packaging
Low (Wm.) 20p* ... Retailers, Food
Lowe (Robert H.) ... Textiles & Apparel
Lowe's 50c ... Americans
Lowland Inv* ... Investment Trusts
Lowndes Lambert 5p* ... Insurance
Lucas Inds.* ... Engineering, Vehicles
Lucas Inds Warrants ... Engineering, Vehicles
Lydenburg 12 1/2 c ... Investment Companies
Lyles (S.) 20p ... Textiles & Apparel
Lynx Holdings 5p ... Support Services

M

M & G 2nd Dual Cap ... Investment Trusts
M & G 2nd Dual Inc ... Investment Trusts
M & G Dual Cap 10p ... Investment Trusts
M & G Dual Inc. 10p ... Investment Trusts
M & G Income Geared Units ... Investment Trusts
M & G Income Inv Tst Cap 1p ... Investment Trusts
M & G Income Inv Tst Inc 1p ... Investment Trusts
M & G Income Package Units ... Investment Trusts
M & G Income Zero Div Prf. 1p ... Investment Trusts
M & G Recovery Cap ... Investment Trusts
M & G Recovery Geared Units ... Investment Trusts
M & G Recovery Inc ... Investment Trusts
M & G Recovery Package Units ... Investment Trusts
M & G Recovery Zero Div prf ... Investment Trusts
M & W 10p ... Retailers, Food
M. & G. Group* ... Other Financial
MAI 5p* ... Other Financial
MEPC* ... Property
MFI Furniture* ... Retailers, General
MIM Hldgs. 50c ... Extractive Industries
MITIE Group 50p* ... Support Services
ML Holdings 5p* ... Engineering
ML Laboratories 1p* ... Health Care
MMI 1p ... Media
MMI Warrants ... Media
MMT Computing 5p ... Support Services
MR Data Management* ... Support Services
MS Inearnt 10p ... Engineering
MTL Instruments 10p* ... Electronic & Electrical Equipment
MTM 5p ... Chemicals
MY Hldgs. 10p ... Printing, Paper & Packaging
Macallan-Glenlivet* ... Spirits, Wines & Ciders
Macdonald Martin A ... Spirits, Wines & Ciders
Macfarlane Group (Clansman)* ... Printing, Paper & Packaging
Macro 4* ... Support Services
Magellan 20p* ... Textiles & Apparel
Magnolia Group 10p ... Leisure & Hotels
Majedie Invs. 10p* ... Investment Trusts
Malacca Fund Participating 1c ... Investment Companies
Malaya Group 10p ... Distributors
Malaysia Mining 10c ... Extractive Industries
Mallett 5p ... Retailers, General
Malvern UK Index Tst* ... Investment Trusts
Malvy Technology ... Americans
Manakin 10p ... Investment Trusts
Manchester United 10p* ... Leisure & Hotels
Mandarin Oriental Intl. Ltd ... Leisure & Hotels
Manders* ... Chemicals
Manganese Bronze ... Engineering
Manpower Inc. 1c ... Support Services
Mansfield Brewery* ... Breweries
Manweb* ... Electricity
Marlborough ... Property
Marks & Spencer* ... Retailers, General
Marley* ... Building Materials & Merchants
Marling Inds 5p* ... Textiles & Apparel
Marsh & McLennan $1 ... Insurance
Marshalls* ... Building Materials & Merchants
Marshalls 6 1/2pc Cnv Pf ... Building Materials & Merchants
Marston Thompson* ... Breweries
Martin Currie European 50p ... Investment Trusts
Martin Currie European Warrants ... Investment Trusts
Martin Currie Pac. 50p* ... Investment Trusts
Martin Currie Pac Warrants ... Investment Trusts
Martin Intl 20p ... Textiles & Apparel
Masthead ... Insurance
Matthew Clark* ... Spirits, Wines & Ciders
Matthews (B)* ... Food Manufacturers
Maunders (John) 20p* ... Building & Construction
Mauritius Fund ... Investment Trusts
Mayborn Group* ... Household Goods
Mayflower Crp. 5p* ... Engineering, Vehicles
Mayne Nickless A$0.50 ... Transport
McAlpine (Alfred)* ... Building & Construction
McCarthy & Stone 20p ... Building & Construction
McInerney A 10p ... Property
McKay Secs 20p ... Property
McKechnie* ... Engineering
McLeod Russel* ... Chemicals
Medeva 10p* ... Pharmaceuticals
Mediterranean Fund ... Investment Companies
Mediterranean Fd Warrants ... Investment Companies
Meekatharra 25c ... Extractive Industries
Meggitt 5p* ... Engineering
Melville Group 1p ... Building & Construction
Melville Street Invs ... Investment Trusts
Melville Street Warrants ... Investment Trusts
Menvier-Swain 5p* ... Electronic & Electrical Equipment
Menzies (J.)* ... Retailers, General
Merchant Retail Grp 10p ... Retailers, Food
Merchants Trust* ... Investment Trusts
Mercury Asset Mgmt 5p ... Other Financial
Merivale Moore 5p ... Property
Merlin Intl Green ... Investment Trusts
Merlin Intl Green Units ... Investment Trusts
Merlin Intl Green Wrnts ... Investment Trusts
Merlin Intl Props ... Property
Merlin Intl Zero Pf ... Investment Trusts
Merrill Lynch $1 ... Americans
Merrydown* ... Spirits, Wines & Ciders
Mersey Docks & Harbour* ... Transport
Metal Bulletin 10p* ... Media
Metalrax 5p* ... Engineering
Metro Radio Group 5p ... Media
Metrotect Inds ... Chemicals
Metsec 10p ... Engineering
Mexico Fund ... Investment Companies
Meyer Intl.* ... Building Materials & Merchants
Mezzanine Cap & Inc Tst ... Investment Trusts
Mezzanine Cap 50p ... Investment Trusts
Micklegate Group 1p ... Property
Micro Focus 10p* ... Support Services
Microgen Hldgs. 5p* ... Support Services
Microvitec 5p ... Electronic & Electrical Equipment
Mid Kent Hldgs* ... Water
Mid Wynd Inv. Tst ... Investment Trusts
Mid-States 10p* ... Engineering, Vehicles
Middle Witwatersrand 1c ... Extractive Industries
Midland & Scottish Res ... Oil Exploration & Production
Midlands* ... Electricity
Milagro Minerals ... Extractive Industries
Millwall ... Leisure & Hotels
Mining & Allied Spplies 12 1/2p ... Distributors
Minmet ... Extractive Industries
Minorco $1.40 ... Extractive Industries
Mirror Group Newspapers* ... Media
Misys 5p* ... Support Services
Mitsubishi Bank Y50 ... Banks
Mitsubishi Corp Y50 ... Diversified Industrials
Mitsubishi Electric Y50 ... Electronic & Electrical Equipment
Mitsubishi Trust & Banking ... Banks
Mitsui M EDR ... Diversified Industrials
Mitsui Trust & Banking ... Banks
Mobil Corp. $2 ... Oil, Integrated
Molins* ... Engineering
Molopo Australia 20c ... Extractive Industries
Molyneux Ests ... Property
Molynx 20p ... Electronic & Electrical Equipment
Monarch Res. 10p ... Extractive Industries
Monks Invest* ... Investment Trusts
Montague Gold ... Extractive Industries
Monument Oil* ... Oil Exploration & Production
Moorfield Estates 10p ... Property
Moorgate Inv. Tst.* ... Investment Trusts
Moorgate Inv. Wrts ... Investment Trusts
Moorgate Smaller Co's Inc Tst* ... Investment Trusts
Moorgate Smaller Warrants ... Investment Trusts
Moran 10p ... Food Manufacturers
More O'Ferrall 10p* ... Media
Morgan (JP) $2.5 ... Americans
Morgan Crucible* ... Engineering
Morgan Crucible 7.5pc Cv Prf ... Engineering
Morgan Grenfell Equity Income* ... Investment Trusts
Morgan Grenfell Equity Warrant ... Investment Trusts
Morland* ... Breweries
Morris (Philip) ... Americans
Morris Ashby ... Engineering
Morrison (Wm) Supermarkets 10p* ... Retailers, Food
Morrison (Wm) 5 1/4 pc. Rd. Prf ... Retailers, Food
Mosaic Investments 10p ... Printing, Paper & Packaging
Moss Bros Grp 5p* ... Retailers, General
Motor World* ... Engineering, Vehicles
Motorola $3 ... Electronic & Electrical Equipment
Mount Burgess ... Extractive Industries
Mount Martin Gold ... Extractive Industries
Mountview Ests. 5p ... Property
Mowlem (J)* ... Building & Construction
Mucklow (A & J)* ... Property
Multitone Electronics ... Electronic & Electrical Equipment
Multitrust ... Investment Trusts
Murray Enterprise ... Investment Trusts
Murray Enterprise Zero Cv 1994 ... Investment Trusts
Murray European I.T. 10p ... Investment Trusts
Murray European Wrnts ... Investment Trusts
Murray Income Tst* ... Investment Trusts
Murray Inc Tst. B ... Investment Trusts
Murray Intl B ... Investment Trusts
Murray Intl.* ... Investment Trusts
Murray Smllr Markets* ... Investment Trusts
Murray Smllr Mkts B ... Investment Trusts
Murray Split Capital Cap ... Investment Trusts
Murray Split Capital Inc ... Investment Trusts
Murray Split Capital Units ... Investment Trusts
Murray Split Capital Zero Div Prf ... Investment Trusts
Murray Ventures* ... Investment Trusts

N

NB Smaller Co's. Tst.* ... Investment Trusts
NEC Corp Y50 ... Electronic & Electrical Equipment
NFC Var Vtg 5p* ... Transport
NK Properties ... South Africans
NMC 7.75pc Accum. Red. Prf ... Printing, Paper & Packaging
NMC Grp 12 1/2 p* ... Printing, Paper & Packaging
NSM ... Extractive Industries
NYNEX $1 ... Americans
National Australia Bank $A1 ... Banks
National Express* ... Transport
National Home Loans 15p ... Other Financial
Natl Home Ln 7 1/2pc Prf ... Other Financial
National Power* ... Electricity
National Westminster Bank* ... Banks
Navan Resources ... Extractive Industries
Navan Res 5pc Cv Ln Notes ... Extractive Industries
Needler Group ... Building Materials & Merchants
Neepsend ... Engineering
Neotronics Technology 5p* ... Engineering
Nesco Invs ... Support Services
Nestle (Reg) SwFr10 ... Food Manufacturers
Nestor-BNA 10p* ... Health Care
New City & Commercial Inv Tst ... Investment Trusts
New City & Comm Warrants ... Investment Trusts
New City & Comm R.P.I. Deb 2006 ... Investment Trusts
New London 5p ... Oil Exploration & Production
News Corp ... Media
New Throg. Cap ... Investment Trusts
New Throgmorton Inc (1983) ... Investment Trusts
New Wits 25c ... Extractive Industries
New Zealand Inv. Tst ... Investment Trusts
Newman-Tonks* ... Building Materials & Merchants
Newmark (Louis) ... Engineering
Newmarket Venture Cap. 5p ... Investment Trusts
News Intl. Special Div ... Media
Next 10p* ... Retailers, General
Nichols (Vimto)* ... Food Manufacturers
Niugini Mining ... Extractive Industries
Nobo Group 10p ... Other Services & Businesses
Nokia Corp Pref FM20 ... Electronic & Electrical Equipment
Norbain 5p ... Distributors
Norcros* ... Building Materials & Merchants
Norex 10p ... Transport
Norish ... Transport
Normandy Poseidon ... Extractive Industries
Norsk Hydro NK20 ... Oil, Integrated
North American Gas Inv* ... Other Financial
North Amer Gas Warrants ... Other Financial
North Atlantic Smlr Co's* ... Investment Trusts
North Atlantic Smlr Co's Ln 2013 ... Investment Trusts
North Broken Hill Peko 50c ... Extractive Industries
North Sea Assets 5p ... Oil Exploration & Production
North West Water* ... Water
Northam Platinum ... Extractive Industries
Northamber 5p ... Distributors
Northern Elec* ... Electricity
Northern Foods* ... Food Manufacturers
Northern Investors ... Investment Trusts
Northern Ireland ... Electricity
Northern Leisure ... Leisure & Hotels
Northumbrian Foods 5p ... Food Manufacturers
Northumbrian Water* ... Water
Norweb* ... Electricity
Nova Corp of Alberta ... Canadians
Novo Group ... Support Services
Novo Nordisk 'B' Kr 20 ... Pharmaceuticals
Nu-Swift 5p ... Support Services
Nurdin & Peacock 10p* ... Retailers, Food

O

O.F.S. Invs. 1c ... Extractive Industries
OGC ... Oil Exploration & Production
OIS Intl. Inspection ... Support Services
OK Bazaars ... Retailers, General
OMI Intl. 5p ... Engineering
Occidental Petroleum 20c ... Oil, Integrated
Ocean Group* ... Transport
Ocean Wilsons 20p ... Transport
Oceana Cons ... Other Financial
Oceonics 2 1/2p ... Oil Exploration & Production
Office & Elect ... Retailers, General
Ohio Resources ... Oil Exploration & Production
Olim Conv. Tst ... Investment Trusts
Olim Zero Cpn Prf ... Investment Trusts
Oliver Group ... Retailers, General
Olives Prop 20p ... Property
Optometrics ... Engineering
Oriel Group ... Insurance
Oriental Smaller Co's 1c ... Investment Companies
Oriental Smlr Wts ... Investment Companies
Oriflame Intl SA NPV ... Household Goods
Orion Res ... Extractive Industries
Oryx Gold Hldgs NPV ... Extractive Industries
Osborne & Little 5p ... Household Goods
Osprey Comms ... Media
Ossory Estates ... Property
Ottomans Bank ... Banks
Overseas Inv. Tst* ... Investment Trusts
Overseas Inv. Tst. Wrnts ... Investment Trusts
Ovoca Resources ... Extractive Industries
Owen & Robinson 20p ... Retailers, General
Owners Abroad 3p* ... Leisure & Hotels
Owners Abroad 9.75p Prf ... Leisure & Hotels
Oxford Instruments 5p* ... Engineering

P

P & O Defd £1* ... Transport
P & O 5 1/2pc. Rd Non-Cum Pfd ... Transport
P & O 6 3/4pc Cnv. Red. Prf ... Transport
P & P 10p* ... Support Services
P-E International 10p ... Support Services
PCT Grp 10p ... Distributors
PEX Group ... Textiles & Apparel
PSIT 50p* ... Property
PWS Holdings 10p ... Insurance
Pacer Systems $0.01 ... Electronic & Electrical Equipment
Pacific Assets Tst. 50p* ... Investment Trusts
Pacific Assets Wrnts ... Investment Trusts
Pacific Dunlop ... Diversified Industrials
Pacific Horizon Inv. Tst. 10p ... Investment Trusts
Pacific Horizon Warrants ... Investment Trusts
Page (Michael) Grp* ... Support Services
Pall Corp. 25c ... Americans
Palmerston Hldgs ... Property
Pan Pacific Petroleum ... Oil Exploration & Production
Pancontinental Mines ... Extractive Industries
Pantheon Intl Participations ... Investment Trusts
Paramba 10p ... Other Financial
Paramount Group 2 1/2p ... Breweries
Paribas French Inv. Tst.* ... Investment Trusts
Park Food 2p* ... Retailers, Food
Parkdean Leisure ... Leisure & Hotels
Parkland Group ... Textiles & Apparel
Partridge Fine Arts 10p ... Retailers, General
Pasminco ... Extractive Industries
Paterson Zochonis 10p* ... Household Goods
Paterson Zochonis A N/V* ... Household Goods
Pearson* ... Media
Peek 9p* ... Electronic & Electrical Equipment
Peel Hldgs* ... Property
Pegasus Group 5p ... Support Services
Pelican Group 20p ... Leisure & Hotels
Pendragon* ... Distributors
Penna 5p ... Support Services
Pennzoil 83 1/3 c ... Americans
Pentland Group* ... Textiles & Apparel
Pentos 10p* ... Retailers, General
Perilya Mines ... Extractive Industries
Perkins Foods* ... Food Manufacturers
Perpetual ... Other Financial
Perpetual Japanese Inv ... Investment Trusts
Perpetual Japanese Warrants ... Investment Trusts
Perry Group* ... Distributors
Persimmon 10p* ... Building & Construction
Personal Assets ... Investment Trusts
Perstorp B Free SK10 ... Chemicals
Petaling SM1 ... Extractive Industries
Petrofina ... Oil, Integrated
Philips Electronics F10 ... Electronic & Electrical Equipment
Philips Finance 5 3/4pc ... Electronic & Electrical Equipment
Phoenix Timber ... Building Materials & Merchants
Phonelink* ... Media
Photo-Me 21/2p* ... Other Services & Businesses
Pict Petroleum 5p* ... Oil Exploration & Production
Pifco Hldgs. A 10p* ... Electronic & Electrical Equipment
Pifco Hldgs. 10p ... Electronic & Electrical Equipment
Pilkington 50p* ... Building Materials & Merchants
Pilkington Warrants ... Building Materials & Merchants
Pilot Inv Trust ... Investment Trusts
Pilot Inv Warrants ... Investment Trusts
Pittards ... Textiles & Apparel
Pittencrieff 10p* ... Oil Exploration & Production
PizzaExpress 10p* ... Leisure & Hotels
Placer Pacific 30c ... Extractive Industries
Plantsbrook 10p* ... Other Services & Businesses
Plasmec 10p ... Chemicals
Platignum 5p ... Other Services & Businesses
Plysu* ... Printing, Paper & Packaging
Pochins ... Building & Construction
Pokphand (C.P.) ... Food Manufacturers
Polar 10p ... Distributors
Policy Portfolio ... Other Financial
Polypipe 10p* ... Building Materials & Merchants
Portals Group* ... Printing, Paper & Packaging
Porter Chadburn 5p ... Diversified Industrials
Porth Group 20p ... Other Services & Businesses
Portman ... Extractive Industries
Portmeirion Potteries 5p* ... Household Goods
Portsmouth & Sunderland* ... Media
Portugal Fd. Ptg. Red. Prf. 1c ... Investment Companies
Porvair 2p* ... Chemicals
PosGold ... Extractive Industries
Powell Duffryn 50p* ... Diversified Industrials
Power Corp. Ir10p ... Property
PowerGen* ... Electricity
Powerscreen Intl 10p* ... Engineering
Precious Metals Australia ... Extractive Industries
Premier Cons. 5p* ... Oil Exploration & Production
Premier Health ... Health Care
Premier Land 5p ... Extractive Industries
Presidio Oil A ... Oil Exploration & Production
Pressac 5p ... Electronic & Electrical Equipment
Prestwick 5p ... Electronic & Electrical Equipment
Prestwick 7 1/4pc Prf ... Electronic & Electrical Equipment
Primadona ... Investment Trusts
Prime People ... Support Services
Princedale 20p ... Media
Prior 1p ... Property
Prism Leisure Corp ... Leisure & Hotels
Process Systems ... Engineering
Property Partnership ... Property
Property Trust ... Property
Prospect Inds. 5p ... Engineering
Protean* ... Engineering
Proteus International* ... Pharmaceuticals
Proudfoot* ... Support Services
Provident Financial* ... Other Financial
Prowting 20p ... Building & Construction
Prudential 5p* ... Life Assurance
Psion 5p ... Electronic & Electrical Equipment

Q

QS Holdings 10p* ... Retailers, General
Quadramatic ... Engineering
Quadrant Group 10p ... Leisure & Hotels
Quaker Oats $5 ... Americans
Quality Care Homes* ... Health Care
Quality Software Prods* ... Support Services
Quarto Group ... Media
Quarto 8 3/4pc Pf ... Media
Quayle Munro ... Other Financial
Queens Moat Houses 5p ... Leisure & Hotels
Queens Moat Houses 7 1/2pc Cn Prf ... Leisure & Hotels
Queens Moat Houses 7pc Cv Prf ... Leisure & Hotels
Questex ... Americans
Quicks Group 10p* ... Distributors
Qualigotti 0.05p ... Building Materials & Merchants

R

RCO 10p* ... Support Services
REA Hldgs ... Distributors
RIT Capital 100p* ... Investment Trusts
RIT Capital 2.5pc Cnv. 2000 ... Investment Trusts
RJB* ... Extractive Industries
RMC* ... Building Materials & Merchants
RPC* ... Printing, Paper & Packaging
RPS Group 3p ... Property
RTZ 10p* ... Extractive Industries
Racal Electronics* ... Electronic & Electrical Equipment
Radamec ... Electronic & Electrical Equipment
Radiant Metal ... Engineering
Radio Clyde ... Media
Radiotrust ... Investment Trusts
Radius 5p ... Support Services
Raglan Prop ... Property
Raglan Warrants ... Property
Raine 10p* ... Building & Construction
Ramco Oil 10p ... Oil Exploration & Production
Ramsden's (Harry) ... Leisure & Hotels
Ramus ... Building Materials & Merchants
Rand Mines R1 ... Extractive Industries
Randex 25c ... Extractive Industries
Randfontein Estates 20c ... Extractive Industries
Ranger Oil ... Oil Exploration & Production
Rank Organisation* ... Leisure & Hotels
Rank Org. 8 1/4p (Net) Cv Prf 20p ... Leisure & Hotels
Ransom (Wm.) 10p ... Pharmaceuticals
Ransomes ... Engineering
Ransomes 8.25p Prf ... Engineering
Rathbone Bros. 5p* ... Other Financial
Rea Bros. Group ... Merchant Banks
Readicut 5p* ... Textiles & Apparel
Real Time Control 5p ... Support Services
Rockitt & Colman 10p* ... Household Goods
Rockitt & Colman 9.5pc Cv. Cap. Bond ... Household Goods
Record Hldgs. 5p ... Engineering
Redaurum Red Lake ... Extractive Industries
Redland* ... Building Materials & Merchants
Reece 5p ... Distributors
Reed Executive 2p* ... Support Services
Reed International* ... Media
Reflex Ir5p ... Support Services
Refuge 5p* ... Life Assurance
Regal Hotel Group 0.25p ... Leisure & Hotels
Regalian ... Property
Regent A ... Printing, Paper & Packaging
Regent Inns ... Breweries
Regina 2p ... Retailers, Food
Reject Shop 5p ... Retailers, General
Reliance Security Grp 5p ... Support Services
Relyon* ... Household Goods
Renishaw 20p* ... Engineering
Renison 50c ... Extractive Industries
Renold* ... Engineering
Rentokil 2p* ... Support Services
Repola Ltd FM10 ... Printing, Paper & Packaging
Rep NY Corpn $5 ... Americans
Resolute Resources ... Extractive Industries
Resort Hotels 50p ... Leisure & Hotels
Reuters 10p* ... Media
Rexmore ... Textiles & Apparel
Rhino Group 2 1/2p ... Retailers, General
Ricardo* ... Support Services
Richards 10p ... Textiles & Apparel
Richards Group 10p ... Engineering
Richardson Westgarth 10p ... Engineering
Richmond Oil & Gas 10p ... Oil Exploration & Production
Rights & Issues Cap ... Investment Trusts
Rights & Issues Inc ... Investment Trusts
Rio Algom Ltd ... Canadians
Riv & Merc Tst Stppd Prf ... Investment Trusts
Riva Group 10p ... Electronic & Electrical Equipment
River & Mer Am Cap Tst. 10p ... Investment Trusts
River & Merc Amer Inc ... Investment Trusts
River & Merc Amer Wrnts ... Investment Trusts
River & Merc Cap 12 1/2p ... Investment Trusts
River & Merc Extra Inc 1p ... Investment Trusts
River & Merc Extra Inc. Warrants ... Investment Trusts
River & Merc Extra Zero Div Pf ... Investment Trusts
River & Merc Grd Inc 50p ... Investment Trusts
River & Merc Grd Prf 5p ... Investment Trusts
River & Merc Trust Income 12 1/2p ... Investment Trusts
River & Merc Warrants 12 1/2p ... Investment Trusts
River & Merc. Smaller Co* ... Investment Trusts
River & Merc. Smaller Warrants ... Investment Trusts
River Plate Cap ... Investment Trusts
River Plate Inc ... Investment Trusts
River Plate Warrants ... Investment Trusts
River Plate Zero Div Prf ... Investment Trusts
Robeco NV ... Investment Companies
Robeco Sub. Shares FL1 ... Investment Companies
Rockwell Intl. $1 ... Americans
Rodime 5p ... Other Services & Businesses
Rolfe & Nolan 10p ... Support Services
Rolinco N.V ... Investment Companies
Rolinco Sub. Shares FL1 ... Investment Companies
Rolls-Royce 20p* ... Engineering
Ropner ... Diversified Industrials
Ropner A ... Diversified Industrials
Roseby's ... Retailers, General
Roskel 10p ... Building Materials & Merchants
Ross Group 5p* ... Distributors
Rothmans Intl Uts ... Tobacco
Rotork 10p* ... Engineering
Rowe Evans Inv. 10p ... Other Services & Businesses
Rowlinson 10p ... Property
Roxboro ... Electronic & Electrical Equipment
Roxspur 5p ... Building Materials & Merchants
Royal Bank Canada ... Canadians
Royal Bank of Scotland* ... Banks
Royal Dutch Fl5 ... Oil, Integrated
Royal Insurance* ... Insurance
Ruberoid ... Building Materials & Merchants
Rubicon 10p ... Engineering
Rugby Group* ... Building Materials & Merchants
Russell (A.) 10p ... Building Materials & Merchants
Rustenburg Platinum Hldgs. 10c ... Extractive Industries
Rutland Trust 1p* ... Other Financial
Ryan Hotels Ir 5p ... Leisure & Hotels

S

S & U 31 1/2pc Cm. Prf. 12 1/2p ... Other Financial
S&U 12 1/2 p* ... Other Financial
SA Brews 20c ... South Africans
SASOL ... South Africans
SCA B Free SK10 ... Printing, Paper & Packaging
SEET 20p ... Textiles & Apparel
SEP Indl. Hldgs. 5p ... Distributors
SHIRESCOT ... Investment Trusts
SKF SK12.5 ... Engineering
SPLIT Cap 10p ... Investment Trusts
SPLIT Inc. 10p ... Investment Trusts
SWP Group 5p ... Building Materials & Merchants
Saatchi & Saatchi 10p* ... Media
Safeland 5p ... Property
Sage Group 5p* ... Support Services
Sainsbury (J.)* ... Retailers, Food
St Andrew Tst.* ... Investment Trusts
St Barbara 20c ... Extractive Industries
St David's Inv. Tst. Cap ... Investment Trusts
St David's Inv. Tst. Inc ... Investment Trusts
St David's Zero Div Pf ... Investment Trusts
St-Gobain (Cie) FFr100 ... Building Materials & Merchants
St Helena Gold R1 ... Extractive Industries
St Ives 10p* ... Printing, Paper & Packaging
St James's Place Capital* ... Other Financial
St Modwen Props 10p* ... Property
Sakura Bank Y50 ... Banks
Salvesen (Christian)* ... Support Services
Samson Exploration ... Extractive Industries
Sanderson Electronics 5p* ... Support Services
Sanderson Murray Elder 10p* ... Distributors
Santos 25c ... Oil, Integrated
Sanwa Bank Y50 ... Banks
Sappi ... Printing, Paper & Packaging
Saville Gordon 10p* ... Property
Savills 5p ... Property
Savoy Hotels A 10p* ... Leisure & Hotels
Scantronic 10p ... Electronic & Electrical Equipment
Scapa Group* ... Other Services & Businesses
Schering DM50 ... Pharmaceuticals
Schlumberger $0.01 ... Oil Exploration & Production
Scholes Group 10p* ... Electronic & Electrical Equipment
Scholl 5p* ... Health Care
Schroder Japanese Warrant Fd. 1c ... Investment Companies
Schroder Japanese Warrants ... Investment Companies
Schroder Korea Fund ... Investment Trusts
Schroder Korea Fd Warrants ... Investment Trusts
Schroder Split Fd Cap ... Investment Trusts
Schroder Split Fd Inc ... Investment Trusts
Schroder Split Zero Div Pf ... Investment Trusts
Schroders £1* ... Merchant Banks
Schroders £1 N/V* ... Merchant Banks
Scottish Nat Zero Div Prf ... Investment Trusts
Scoba ... Pharmaceuticals
Scott Pickford ... Oil Exploration & Production
Scottish & Newcastle 20p* ... Breweries
Scottish American Inv.* ... Investment Trusts
Scottish Asian Inv. Ptg. 1c ... Investment Companies
Scottish Asian Wts ... Investment Companies
Scottish Eastern Inv* ... Investment Trusts
Scottish Heritable Tst ... Diversified Industrials
Scottish Hydro-Electric* ... Electricity
Scottish Inv* ... Investment Trusts
Scottish Inv Warrants ... Investment Trusts
Scottish Metropolitan 20p* ... Property
Scottish Mortgage & Tst* ... Investment Trusts
Scottish Natl Tst. Inc ... Investment Trusts
Scottish Natl Cap ... Investment Trusts
Scottish Natl Stepped Prf ... Investment Trusts
Scottish Natl. Wrnts ... Investment Trusts
Scottish Power* ... Electricity
Scottish TV 10p* ... Media
Scottish Value Trust* ... Investment Trusts
Sea Containers $0.01 ... Transport
Seacon ... Transport
Seafield ... Transport
Seafield Resources ... Oil Exploration & Production
Seagram ... Spirits, Wines & Ciders
Sears* ... Retailers, General
Sears, Roebuck 75c ... Americans
Second Alliance Tst.* ... Investment Trusts
Second Consolidated Tst* ... Investment Trusts
Second HGSC ... Investment Trusts
Second Market Inv. 50p* ... Investment Trusts
Secure Trust Grp. 1p* ... Other Financial
Securicor Group ... Telecommunications
Securicor Group A N-V* ... Telecommunications
Securities Tst. Scot.* ... Investment Trusts
Security Services ... Telecommunications
Sedgwick Group 10p* ... Insurance
Seeboard* ... Electricity
SelecTV 1p ... Media
Select Appointments ... Support Services
Select Inds ... Engineering, Vehicles
Selective Assets Tst. 10p* ... Investment Trusts
Selective Assets Sersll ... Investment Trusts
Selective Assets Uns. Ln ... Investment Trusts
Sema Group 10p* ... Support Services
Senior Engineering 10p* ... Engineering
Sentry Farming Grp ... Food Manufacturers
Serco Group* ... Support Services
Senf 10p ... Printing, Paper & Packaging
Servomex 5p ... Engineering
Seton Healthcare Grp. 10p* ... Health Care
Severfield-Reeve ... Building & Construction
Severn Trent* ... Water
Shaftesbury* ... Property
Shandwick 1p ... Media
Shani Group 10p ... Textiles & Apparel
Shanks & McEwan 10p* ... Other Services & Businesses
Sharelink Inv Servs ... Other Financial
Sharpe & Fisher ... Building Materials & Merchants
Shaw (Arthur) 10p ... Building Materials & Merchants
Sheafbank Prop ... Property
Sheffield Insulations* ... Building Materials & Merchants
Sheldon Jones ... Food Manufacturers
Shell Transport Reg* ... Oil, Integrated
Shell Transport 7pc Prf. £1 ... Oil, Integrated
Shelton (Martin) ... Other Services & Businesses
Sheriff Hldgs. 5p ... Building & Construction
Sherwood Computer Services 10p ... Support Services
Sherwood Group 10p* ... Textiles & Apparel
Shield Diagnostics ... Health Care
Shiloh ... Textiles & Apparel
Shires Inv. 50p* ... Investment Trusts
Shoprite 5p ... Retailers, Food
Shorco Group Hldgs ... Building & Construction
Siam Selective Growth Tst ... Investment Trusts
Sidlaw Group* ... Printing, Paper & Packaging
Siebe* ... Engineering
Siemens DM50 ... Electronic & Electrical Equipment
Skandia Insurance SK5 ... Insurance
Signet 10p* ... Retailers, General
Signet 6 7/8p Cv Cm Rd Prf ... Retailers, General
Silentnight 10p* ... Household Goods
Silvermines 2 1/2 p ... Electronic & Electrical Equipment
Sime Darby ... Diversified Industrials
Simon Engineering* ... Distributors
Sims Food Group 5p* ... Food Manufacturers
Simsmetal ... Engineering
Sinclair (Wm.)* ... Other Services & Businesses
Sindall (Wm) 5p ... Building & Construction
Singapore SESDAQ Fd. 1c ... Investment Companies
Singer & Friedlander* ... Merchant Banks
Sipa Resources ... Extractive Industries
Sirdar* ... Textiles & Apparel
Six Hundred Grp ... Engineering
Sketchley* ... Support Services
Sleepy Kids 5p ... Media
Slough Estates* ... Property
Slough Ests. 8 1/4p Net Prf ... Property
Smaller Cos Inv Tst 50p* ... Investment Trusts
Smaller Cos Warrants ... Investment Trusts
Smart (J.) 10p ... Building & Construction
Smith & Nephew 10p* ... Health Care
Smith (David S.) 20p* ... Printing, Paper & Packaging
Smith (James) Ests ... Property
Smith (W H) A 50p* ... Retailers, General
Smith (W H) B ... Retailers, General
Smith New Court* ... Other Financial
Smith New Court Cnv. Prf. 50p ... Other Financial
SmithKline Beecham A* ... Pharmaceuticals
SmithKline Beecham Equity Units* ... Pharmaceuticals
Smiths Inds.* ... Engineering
Smurfit (Jeffsn.) ... Printing, Paper & Packaging
Somic ... Printing, Paper & Packaging
Sons Gwalia NL ... Extractive Industries
Sony Corp Y50 ... Electronic & Electrical Equipment
Sothebys Hlds Inc Class A ... Retailers, General
Soundtracs 5p ... Electronic & Electrical Equipment
South America Fund ... Investment Companies
South America Fund Warrants ... Investment Companies
South East Asian Fd. Warrants 1c ... Investment Companies
South Staffs Water ... Water
South Wales* ... Electricity
South West Water* ... Water
South Western* ... Electricity
Southend Property Hldg. 5p* ... Property
Southend Property Warrants ... Property
Southend Stad. 5 1/2pc Cnv. Prf ... Property
Southern Business Grp 10p* ... Electronic & Electrical Equipment
Southern Electric* ... Electricity
Southern Pacific ... Oil Exploration & Production
Southern Radio ... Media
Southern Water* ... Water
Southnews 5p ... Media
Southvaal 50c ... Extractive Industries
Southwestern Bell $1 ... Americans
Spandex ... Building & Construction
Spanish Smaller Co's ... Investment Companies
Spanish Smllr Warrants ... Investment Companies
Spear (J.W.) ... Leisure & Hotels
Specialeyes 2p ... Health Care
Sphere Inv Units ... Investment Trusts
Sphere Inv. Tst. Inc ... Investment Trusts
Sphere Tst. Zero Dv Prf ... Investment Trusts
Spirax-Sarco* ... Engineering
Spring Ram 10p* ... Building Materials & Merchants
Stagecoach* ... Transport
Stakis 10p* ... Leisure & Hotels
Standard Chartered £1* ... Banks
Standard Platform 10p ... Support Services
Stanhope Props.* ... Property
Stanley Leisure* ... Leisure & Hotels
Stamin 5p ... Extractive Industries
Stat-Plus 5p* ... Support Services
Staveley Inds.* ... Diversified Industrials
Steel Burrill Jones 10p* ... Insurance
Sterling Inds.2 1/2 p* ... Engineering
Sterling Publishing 5p* ... Media
Stewart & Wight ... Property
Stilfontein 50c ... Extractive Industries
Stirling Group 20p* ... Textiles & Apparel
Stoddard 10p* ... Household Goods
Stora B Free SK25 ... Printing, Paper & Packaging
Storehouse 10p* ... Retailers, General
Storm Group 1p ... Media
Stratagem Group 20p ... Other Financial
Strong & Fisher 10p ... Textiles & Apparel
Sturge Hldgs. 20p* ... Insurance
Stylo* ... Retailers, General
Sumit 100p ... Investment Trusts
Sumitomo Bank Y50 ... Banks
Sumitomo Trust & Banking Y50 ... Banks
Sun Alliance Grp* ... Insurance
Sun Co. Inc. $1 ... Americans
Sungard Data ... Electronic & Electrical Equipment
Sunleigh 5p ... Leisure & Hotels
Sunrise Energy Servs Inc ... Oil Exploration & Production
Sunset & Vine 5p ... Media
Surrey Group ... Leisure & Hotels
Sutcliffe Speakman 1p* ... Other Services & Businesses
Suter 5p* ... Diversified Industrials
Suter Warrants ... Diversified Industrials
Swallowfield 5p ... Household Goods
Swire Pacific A 60c ... Other Financial
Sycamore Hldgs ... Building Materials & Merchants
Sykes-Pickavant 10p ... Engineering
Syltone ... Engineering, Vehicles
Symonds Engineering ... Engineering
Syndicate Capital ... Insurance
Syndicate Capital Warrants ... Insurance

T

T & N* ... Engineering, Vehicles
T & S Stores 5p* ... Retailers, General
TDK Corp Y50 ... Electronic & Electrical Equipment
TDS Circuits 5p ... Electronic & Electrical Equipment
TGI 1p ... Electronic & Electrical Equipment
TI Group* ... Engineering
TLS Range ... Distributors
TNT 50c ... Transport
TR City of London Defd* ... Investment Trusts
TR European Growth Trust* ... Investment Trusts
TR European Growth Ptg. Subs. 1p ... Investment Trusts
TR Far East Inc. Tst.* ... Investment Trusts
TR Far East Inc Tst Warrants ... Investment Trusts
TR High Inc. Tst.* ... Investment Trusts
TR High Inc. Tst. Sub ... Investment Trusts
TR Pacific Inv. Tst. 5p* ... Investment Trusts
TR Prop. Inv. Tst.* ... Investment Trusts
TR Smaller Co's* ... Investment Trusts
TR Technology ... Investment Trusts
TR Technology Stepp'd Prf ... Investment Trusts
TR Technology Units ... Investment Trusts
TR Technology Zero Prf ... Investment Trusts
TSB* ... Banks
TT Group* ... Diversified Industrials
TVX Gold Income ... Canadians
Tadpole Technology* ... Electronic & Electrical Equipment
Takare* ... Health Care
Tamaris 10p ... Health Care
Tams (John) Group 10p ... Household Goods
Tanjong ... Leisure & Hotels
Tarmac 50p* ... Building Materials & Merchants
Tate & Lyle* ... Food Manufacturers
Tate & Lyle 7.25p Cv Prf ... Food Manufacturers
Taunton Cider 10p* ... Spirits, Wines & Ciders
Tay Homes* ... Building & Construction
Taylor Nelson AGB 5p* ... Media
Taylor Woodrow* ... Building & Construction
Telegraph ... Media
Telemetrix 5p* ... Electronic & Electrical Equipment
Temple Bar* ... Investment Trusts
Templeton Emerging Markets* ... Investment Trusts
Templeton Emerging Mkts Warrants ... Investment Trusts
Tenneco $5 ... Americans
Tepnel Diagnostics* ... Health Care
Tesco 5p* ... Retailers, Food
Tesco Capital 9pc Cv Bd 2005 ... Retailers, Food
Tex Hldgs. 10p ... Engineering
Texaco $6.25 ... Americans
Thai Euro Fd. Ptg. 1c ... Investment Companies
Thames Water* ... Water
Thompson Clive ... Investment Trusts
Thomson Corp ... Media
Thorn EMI* ... Leisure & Hotels
Thornton Asian Emerg Mkts* ... Investment Trusts
Thornton Asian Emerg Mkts Wrnts ... Investment Trusts
Thornton Pan European 10p ... Investment Trusts
Thornton Pan Euro Wrnts ... Investment Trusts
Thorntons* ... Retailers, Food
Thorpe (F.W.) 10p ... Electronic & Electrical Equipment
Throgmorton 1000 Smlr Co's* ... Investment Trusts
Throgmorton 1000 Smlr Co's Wrts ... Investment Trusts
Throgmorton Prfd Inc ... Investment Trusts
Throgmorton Tst. 5p* ... Investment Trusts
Throgmtn Dual Tst. Inc ... Investment Trusts
Throgmtn Dual Tst. Inc. Cap. 1p ... Investment Trusts
Thyssen Dm10 ... Engineering
Tibbett & Britten 5p* ... Transport
Ticketing Grp ... Leisure & Hotels
Tie Rack* ... Retailers, General
Tiger Oats 10c ... South Africans
Tilbury Douglas* ... Building & Construction
Time Products 10p* ... Distributors
Time Warner $1 ... Americans
Tinsley (Eliza) 5p ... Engineering
Tinsley Robor 5p ... Printing, Paper & Packaging
Tiphook 10p* ... Transport
Titon 10p ... Building Materials & Merchants
Tokai Bank Y50 ... Banks
Tomkins 5p* ... Diversified Industrials
Tomkins 61/4pc Cm. Pf ... Diversified Industrials
Tomkinsons ... Household Goods
Tomorrows Leisure 20p ... Leisure & Hotels
Tongaat-Hulett R1 ... South Africans
Topdanmark DK100 ... Insurance
Tops Estates* ... Property
Toray Y50 ... Textiles & Apparel
Tor Invest Cap ... Investment Trusts
Tor Investment. Inc ... Investment Trusts
Torday & Carlisle 5p ... Distributors
Torex Hire 10p ... Building & Construction
Toronto-Dominion Bank ... Canadians
Toshiba Corp Y50 ... Electronic & Electrical Equipment
Total B FFr50 ... Oil, Integrated
Tottenham Hotspur ... Leisure & Hotels
Town Centre* ... Property
Towry Law ... Other Financial
Toye ... Textiles & Apparel
Toyo Trust & Banking Y50 ... Banks
Trace Computers 5p ... Support Services
Trade Indemnity Grp* ... Insurance
Trafalgar House. 20p* ... Diversified Industrials
Trafford Park* ... Property
Transatlantic Hldgs ... Life Assurance
Trans B 6pc Cv Pf ... Life Assurance
Trans Can Pipe ... Canadians
Trans World Comms 10p ... Media
Transport Developmet* ... Transport
TransTec 50p* ... Engineering
Travelers $1.25 ... Insurance
Travis Perkins 10p* ... Building Materials & Merchants
Treatt 10p ... Food Manufacturers
Trencherwood 10p ... Property
Trident Petroleum ... Oil Exploration & Production
Trinity* ... Engineering, Vehicles
Trinity Intl. Hldgs. 10p* ... Media
Trio Hldgs* ... Other Financial
Triplex Lloyd* ... Engineering
Triton Europe 5p ... Oil Exploration & Production
Trust of Prop. 5p ... Investment Trusts
Try Group ... Building & Construction
Tudor 20p ... Building Materials & Merchants
Tullow Oil ... Oil Exploration & Production
Tunstall Group 5p* ... Electronic & Electrical Equipment
Turkey Trust ... Investment Trusts
Turkey Trust Warrants ... Investment Trusts
Turnpyke ... Engineering
Tuskar Res Ir 5p ... Oil Exploration & Production
Tyndall Australia ... Other Financial
Tyndall Australia Options ... Other Financial

U

UDO Hldgs. 10p* ... Other Services & Businesses
UK Safety ... Textiles & Apparel
UMECO ... Engineering
US Smaller Cos* ... Investment Trusts
US Smaller Cos Warrants ... Investment Trusts
US West ... Americans
USDC Inv* ... Investment Trusts
USF & G Corp $2.50 ... Insurance
Ugland Intl ... Transport
Ulster TV* ... Media
UniChem 10p* ... Health Care
Unidare ... Diversified Industrials
Unigate* ... Food Manufacturers
Unigroup 15p ... Building Materials & Merchants
Unilab ... Americans
Unilever 5p* ... Food Manufacturers
Unilever NV Fl4 ... Food Manufacturers
Union Discount £1* ... Other Financial
Union Square ... Property
Unisel ... Extractive Industries
Unit Group ... Printing, Paper & Packaging
Unitech 10p* ... Electronic & Electrical Equipment
United Biscuits* ... Food Manufacturers
United Breweries ... Breweries
United Drug 25p ... Health Care
United Energy 10p ... Oil Exploration & Production
United Friendly B 10p* ... Life Assurance
United Industries 10p ... Engineering
United Newspapers* ... Media
Upton & Southern 5p ... Retailers, General
Usborne 10p ... Food Manufacturers
Usher (Frank) 5p ... Textiles & Apparel

V

VHE ... Building & Construction
VSEL Consortium £1* ... Engineering
VTR 5p ... Media
Vaal Reefs 50c ... Extractive Industries
Value & Income Tst. 10p* ... Investment Trusts
Vanguard Petroleum ... Oil Exploration & Production
Vard AS Free NK2.3 ... Transport
Vardon* ... Leisure & Hotels
Vardy (Reg) 10p* ... Distributors
Varity Corp ... Americans
Vaux Group 10p* ... Breweries
Vega Group ... Support Services
Vendome Luxury Uts ... Retailers, General
Venturi Inv Cap Indexed 10p ... Investment Trusts
Venturi Inv Inc 10p ... Investment Trusts
Venturi Inv Ord Geared 1p ... Investment Trusts
Verity 5p ... Electronic & Electrical Equipment
Verson Intl 10p ... Engineering
Vibroplant 5p* ... Building & Construction
Vickers 50p* ... Engineering
Victaulic* ... Engineering
Victoria Carpet ... Household Goods
Victoria Petroleum ... Oil Exploration & Production
Villiers Group 10p ... Oil Exploration & Production
Vinten Group 20p* ... Engineering
Virtuality Group ... Support Services
Vistec 1p* ... Support Services
Vivat Hldgs ... Textiles & Apparel
Vodafone 5p* ... Telecommunications
Vogels 2 1/2 c ... Extractive Industries
Volex Group* ... Electronic & Electrical Equipment
Volkswagen DM50 ... Engineering, Vehicles
Volvo B SK25 ... Engineering, Vehicles
Vortex Energy Systems Inc ... Engineering
Vosper Thornycroft* ... Engineering
Vtech 5c ... Electronic & Electrical Equipment

W

WMX Technologies $1 ... Americans
WPP Group 10p* ... Media
WPP Warrants ... Media
WSP Hldgs. 5p ... Support Services
Wace Group 20p* ... Printing, Paper & Packaging
Wace 8pc Cv. Pf ... Printing, Paper & Packaging
Waddington (J.)* ... Printing, Paper & Packaging
Wagon Industrial* ... Engineering
Wagon Industrial 7.25p Net Cv Pf ... Engineering
Wah Kwong ... Transport
Wakebourne ... Electronic & Electrical Equipment
Walhalla ... Extractive Industries
Walker Greenbank* ... Household Goods
Wankie Colliery Z$1 ... Extractive Industries
Warburg (S.G.)* ... Merchant Banks
Ward Hldgs. 10p ... Building & Construction
Wardle Storeys 10p* ... Chemicals
Warner Estate 5p* ... Property
Warner Howard* ... Support Services
Warnford Inv. 5p ... Property
Warrants & Value ... Investment Trusts
Wassall 5p* ... Diversified Industrials
Waste Management Intl ... Other Services & Businesses
Waterford Foods IR 20p ... Food Manufacturers
Waterford Wedgwood 5p ... Household Goods
Waterglade Intl 1p ... Property
Waterhouse Group 10p ... Building Materials & Merchants
Waterman Partnership 10p ... Support Services
Wates City of Lon.* ... Property
Watmoughs* ... Printing, Paper & Packaging
Watson & Philip 10p* ... Retailers, Food
Watts Blake* ... Extractive Industries
Waverley Mining Finance 5p ... Extractive Industries
Weir Group* ... Engineering
Welkom Gold 50c ... Extractive Industries
Wellcome* ... Pharmaceuticals
Wellman 5p ... Engineering
Welpac 20p ... Distributors
Welsh Indl Inv. Tst. 5p ... Investment Trusts
Welsh Water* ... Water
Wembley 5p* ... Leisure & Hotels
Wensum 5p ... Textiles & Apparel
Wescol Group 10p ... Engineering
Wessex Water* ... Water
West Rand R1 ... Extractive Industries
West Trust 2 1/2p ... Food Manufacturers
Westbury 10p* ... Building & Construction
Western Areas R1 ... Extractive Industries
Western Deep R2 ... Extractive Industries
Western Mining 50c ... Diversified Industrials
Western Selection 10p ... Other Financial
Westland 2 1/2 p* ... Engineering
Westminster Healthcare* ... Health Care
Westminster Scaffolding 10p ... Building & Construction
Westpac $A1 ... Banks
Westport Group 5p ... Building & Construction
Westralian Res. Pro. 20c ... Extractive Industries
Wetherspoon (J.D.)* ... Breweries
Whatman 5p* ... Engineering
Whessoe* ... Engineering
Whirlpool $1 ... Americans
Whitbread* ... Breweries
Whitbread Inv ... Investment Trusts
Whitecroft ... Electronic & Electrical Equipment
Whinney Mackay-Lewis10p ... Property
Wholesale Fittings 10p* ... Distributors
Wickes* ... Building Materials & Merchants
Widney 4p ... Diversified Industrials
Wiggins Group ... Building & Construction
Wigmore Property ... Investment Trusts
Wigmore Property Warrants ... Investment Trusts
Wilkes (J.) ... Engineering
Williams Hldgs.* ... Diversified Industrials
Williams 8p Cnv. Prf ... Diversified Industrials
Williams 5 5/8pc Cv. Prf ... Diversified Industrials
Williamson £1 ... Food Manufacturers
Willis Corroon 12 1/2p* ... Insurance
Willoughby's Cons 50p ... Extractive Industries
Willoughby's Cons Prfd ... Extractive Industries
Wills Group* ... Distributors
Wilshaw 5p ... Building Materials & Merchants
Wilson Bowden 10p* ... Building & Construction
Wilson(Connolly)* ... Building & Construction
Wilton Group 1p ... Distributors
Wimpey (Geo)* ... Building & Construction
Windsor 10p ... Insurance
Winkelhaak R1 ... Extractive Industries
Wintrust 20p ... Merchant Banks
Witan Inv* ... Investment Trusts
Wolseley* ... Building Materials & Merchants
Wolstenholme Rink* ... Chemicals
Wolverhampton & Dudley* ... Breweries
Wood (Arthur) 5p ... Household Goods
Wood (J.D.) & Co. 10p ... Property
Woodchester IR20p ... Other Financial
Woodside ... Oil, Integrated
Woolworth $3 1/2 ... Americans
World Trust Fd $2 ... Investment Companies
World Trust Fd Warrants ... Investment Companies
World of Leather 10p ... Retailers, General
Worth Inv. 5p ... Investment Trusts
Worthington Group 10p ... Textiles & Apparel
Wyevale Garden Centres* ... Retailers, General
Wyko Group ... Distributors
Wyndeham Press ... Printing, Paper & Packaging

Y

YRM 10p ... Property
Yasuda Trust & Banking Y50 ... Banks
Yeoman Inc 12 1/2 p ... Investment Trusts
Yeoman Inv Zero Prf ... Investment Trusts
Yeoman Inv. Cap ... Investment Trusts
York Waterworks ... Water
Yorklyde 10p ... Textiles & Apparel
Yorkshire* ... Electricity
Yorkshire Chemicals* ... Chemicals
Yorkshire Food* ... Food Manufacturers
Yorkshire Tyne-Tees TV* ... Media
Yorkshire Tyne-Tees Warrants ... Media
Yorkshire Water* ... Water
Young (H.) ... Distributors
Young Brew A 50p* ... Breweries
Young Brew N-Vtg 50p* ... Breweries
Yule Catto 10p* ... Chemicals

Z

Zambia Copper Invs. SBD0.24 ... Extractive Industries
Zandpan 10c ... Extractive Industries
Zeneca* ... Pharmaceuticals
Zetters Group 5p ... Leisure & Hotels

NOTE: * Constituent of the FT-SE Actuaries All-Share Index.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		20⅛	1.6	68c	FeMyAuNv	11.10	1503
Allegheny & W	♥	443p	2.3	30c	–	–	–
Amdahl		388p	-13.6	8c	NvFeJeAu	31.1	–
Amer Cyanamid		34⅛	3.0	$1.75	MrJeSeDe	4.3	–
Amer Express		21¼	1.9	$1.00	FeMyAuNv	6.10	1594
Amer T & T		35⅝xd	-1.7	$1.32	FeMyAuNv	28.12	1597
Ameritech		53	-.5	$3.68	FeMyAuNv	28.3	–
Anheuser-Busch		33⅞xd	3.1	0$1.44	MrJeSeDe	4.11	1620
BankAmerica		31⅝xd	1.2	$1.40	MrJeSeDe	18.11	1744
Bankers NY		54½	2.6	$3.12	ApJyOcJa	1.10	1745
Bell Atlantic		41	1.5	$2.68	FeMyAuNv	4.7	–
BellSouth		40¼	3.0	$2.76	FeMyAuNv	6.4	–
Bethlehem Steel	♥	13½	9.6	–	MrJeSeDe	6.2	1821
Bowater		1596p	1.2	60c	OcJaApJy	6.9	1884
CPC		32⅝	2.4	$1.28	JaApJyOc	27.9	2363
California Engy		1248p	-3.4	–	–	–	–
Chase Manhattan		23¼	0.9	$1.20	FeMyAuNv	28.10	2109
Chrysler		36¼xd	1.0	80c	ApJyOcJa	10.12	2135
Citicorp		25	1.6	–	–	23.10	2141
Colgate-Palm		41½	2.5	$1.44	FeMyAuNv	20.10	2184
Cont'l Bank		1821p	4.1	80c	DeMrJeSe	31.5	–
Dana		39⅛xd	1.9	$1.60	MrJeSeDe	29.11	2306
Data General		624p	6.1	–	–	–	–
Decora Inds	♥	79½p	–	–	–	–	–
Dun & Brad		41½	0.3	$2.44	MrJeSeDe	13.2	–
Eaton		35	3.3	$1.20	FeMyAuNv	2.2	2410
Echlin		22⅞xd	4.1	70c	JaApJyOc	30.12	3046
FPL		28⅝	1.2	$2.48	MrJeSeDe	24.8	–
Ford Motor		43½	1.4	$1.60	MrJeSeDe	27.10	2615
Gen Elect		71⅞xd	2.0	$2.52	JaApJyOc	29.12	2675
General Host	♥	498p	-3.1	34c	–	13.12	–
Gillette		39⅞xd	-.8	84c	MrJeSeDe	28.7	2695
Hasbro		20⅔	–	24c	FeApJyNv	1.8	–
Honeywell		22⅝xd	2.3	96c	MrJeSeDe	22.11	2919
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Europa Mins	48	1.1	–	–	–	–	–	3427
Glencar Expl IE	15	—	–	–	–	–	–	–
Greenwich Res	14	—	–	–	–	–	–	2773
Hemlo Gold C$	27¾	3.5	Q20c	–	Dec Jun	8.11	–	
Ivernia West IE	37	-2.6	–	–	–	–	–	–
Kells Mins IE	21	—	–	–	–	–	–	3741
Kenmare	8½	-8.5	–	–	–	–	–	1453
Milagro Mins	16½	10.0	–	–	–	–	–	–
Navan Res IE	180	9.6	–	–	–	–	–	1883
5pc Ln Notes	138	-.7	–	–	–	–	–	–
Oryx Gold	45	—	–	–	–	–	–	3886
Ovoca Res IE	24	—	–	–	–	–	–	1470
RTZ	812	2.8	19.5	1.7	Dec Aug	7.6		3880

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Ruberoid (Bld Mtl), Biotrace (Hlth & Hse), Masthead and Syndicate Cap Ord & Wts (Insce Comp), Johnson Fry 2nd Ord & Zero Pf, Nth Atlantic Smllr Ln 2013, Wigmore Prop Ord & Wts (Inv Tsts), Hozelock and Lilliput (Miscl), Badgerline (Transport) and Orion Res (Mines). Deletions: NZ Oil (Oils).

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For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 36p per minute cheap rate and 48p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close January 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15	11½	AAR	0.48	3.3	479	128	14¾	14⅜	14⅜	-⅛
29⅞	12¾	A L Labs A	0.18	1.2	33	209	14½	14	14½	+½
67¼	54⅝	AMP	1.60	2.6	22	1827	62⅞	62⅛	62½	-⅝
72¾	55½	AMR			52	3169	67¼	66⅝	66⅞	-⅛
3⅞	1¾	ARX			15	475	3¾	3⅝	3¾	+¼
51½	29⅞	ASA	2.00	3.8	35	2774	u53¼	49⅞	52⅞	+3⅝
30¾	22⅝	AbbotL	0.68	2.4	17	10118	29¾	28⅝	28⅞	-⅝
12⅝	8¼	Abitibi Pr	0.50	4.4	7	233	11⅝	11⅜	11⅜	-¼
15⅝	8¼	Acptocpin			21	163	12⅞	12¼	12¾	+⅝
36	25½	ACE Ltd	0.40	1.3	5	724	31	30½	31	-⅛
12⅝	10¾	ACM Gvt In	1.06	8.6		427	12¾	12⅛	12¾	
10⅛	9⅛	ACM GvOpp	0.80	8.2		99	9⅞	9⅝	9¾	
10⅝	8¾	ACM Gvt Sp	0.95	9.7		608	10⅛	9⅞	9⅞	-⅛
12¼	10½	ACM Gvt Se	1.04	9.1		1809	11¾	11⅜	11⅜	-½
12¼	9⅝	ACM Man x	1.13	10.2		603	11¼	11⅛	11⅛	-⅛
9⅞	8⅝	ACM Managd	0.72	8.0		154	9⅛	9	9	
12⅞	7¾	AcmeClv	0.44	4.6	12	20	9⅝	9⅜	9⅝	+⅛
11⅞	6⅞	Acme Elect			34	32	7¾	7⅝	7⅝	+⅛
27⅝	18⅞	Acordia	0.44	1.7	14	23	25½	25⅜	25⅜	-⅛
16	10⅞	Acuson			56	402	12⅝	12¼	12½	+⅜
21¾	17¾	Adams Expr	0.52	2.9	0	368	17⅞	d17⅝	17⅞	
56⅛	45½	Ad Micro	3.00	6.3		10	47⅝	47⅝	47⅝	+⅛
32¾	17	AdvMic	3.00	16.8	6	3771	18	17¾	17⅞	+⅛
8⅛	5½	Advest Grp	0.16	2.4	12	39	6¾	6¾	6¾	+⅛
24¾	14¼	Advo Inc	0.08	0.4	86	223	18⅝	18¼	18¾	+¼
58½	47⅛	Aegon ADR	1.23	2.2	12	93	55⅜	54¾	55	+¾
66¼	43⅞	AetnaL	2.76	4.7	25	787	60¾	59¼	59¾	-1⅛
34	24⅜	Aflac	0.40	1.5	12	1440	28⅞	27	27⅜	-1⅛
22⅛	16¾	Ahmnsn	0.88	4.5	9	4486	19¾	19⅜	19⅝	
7¼	3⅝	Aileen Inc			3	76	3⅞	3¾	3¾	
48½	37½	AirPrC	0.92	2.0	25	1532	45⅝	44¼	45⅜	+1⅛
32¾	20	Baxter	1.00	4.1	13	7594	24⅜	23⅞	24⅝	
32	24⅜	Bay St Gas	1.42	5.0	16	22	28⅜	28⅛	28½	-⅜
25	22	Bd Tr 1838 x	1.72	7.7		11	22½	22⅜	22⅜	-⅜
28	15	Bear Stms	0.60	2.8	6	2130	22⅛	21½	21½	-⅛
50¼	45½	BearStPIA	2.78	5.7		8	48⅞	48⅞	48⅞	
31	20½	Bearings	0.64	2.3	21	280	28⅜	28¼	28¼	-⅛

Continued on next page

4 pm close January 3

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, embracing the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.
HIGHS & LOWS ARE FOR 1993/4.

AMEX COMPOSITE PRICES

4 pm close January 3

NASDAQ NATIONAL MARKET

4 pm close January 3

FT GUIDE TO THE WEEK

4 TUESDAY

Funding for the tunnel

The deadline for Eurotunnel, which is to operate the channel tunnel, to complete negotiations with its bankers for additional funding to cover start-up costs. The company has raised about £8.95bn, but has said it needs at least another £1bn, mainly to cover debt servicing before the tunnel begins to break even on a cash basis. This is expected to happen in 1998.

Italian politics: Informal soundings are due to begin between Italy's political parties and the government of Carlo Ciampi to prepare for a planned vote of no-confidence in the government on January 12.

The European Commission meets ahead of its consultations in Athens on Wednesday with the Greek government, which has assumed the presidency of the European Union.

UK economy: The Bank of England's provisional estimate of the growth of the monetary base (M0) last month is likely to back up anecdotal evidence of strong retail sales before and after Christmas. Bank notes in circulation rose by 7.1 per cent in the week to December 29, compared with the same week in 1992.

5 WEDNESDAY

Greek agenda for the EU

The European Commission meets the Greek government in Athens to devise a working programme for the Greek presidency of the European Union.

Greek prime minister Andreas Papandreou and European Commission president Jacques Delors will try to present an image of workmanlike solidity. However, Athens is at odds with some member states over EU policy towards the former Yugoslav republics.

Bank of France: The names of six members of the nine-strong Monetary Policy Council, which will be responsible for interest rate policy at the newly independent Bank of France, are due to be announced today. The other three members will be Mr Jean-Claude Trichet, governor of the Bank of France, and his two deputies.

UK education: Sir Ron Dearing is expected to publish the final recommendations of his review of the national curriculum in England and Wales today. The report will influence industrial relations in schools and should also establish an educational blueprint for the next two decades.

Noise: New regulations on noise nuisance come into effect in the UK. Local authorities will be able to take action to stop noise, including entering a car to silence a wayward alarm.

6 THURSDAY

Bundesbank council meets

The policy-making council of the German central bank holds its first session of 1994. With interest rates on German government bonds finishing 1993 near their lowest levels since the second world war, there are strong expectations of a cut in the coming weeks in the "official" Lombard and discount rates from the current levels of 6.75 and 5.75 per cent respectively. The Bundesbank may act today.

George Soros, the international financier, concludes a three day visit to Israel during which he is expected to announce a series of investments in the country.

UK new vehicle registrations: The figures for November are due to be released by the Department of Transport. They are expected to confirm that the British market remains a healthy exception in a depressed Europe.

Anchors away: The 40th London International Boat Show opens at Earls Court exhibition centre (to Jan 16).

Holidays: Markets are closed for the Epiphany holiday in Austria, Cyprus, Finland, Germany (Munich and Stuttgart only), Greece, Italy, Spain, and Sweden. Russia celebrates Orthodox Christmas (to Friday).

7 FRIDAY

Franco-Saudi co-operation

French Prime Minister Edouard Balladur (left) arrives for a two-day visit to Saudi Arabia. The talks are expected to cover political, economic and military co-operation. Mr Balladur will be hoping to promote the sale of French arms and military equipment. In particular, he will try to finalise a contract for the supply of frigates, worth an estimated FFr20bn ($3.4bn).

US employment figures for December will be keenly watched to see if they provide further evidence of robust fourth-quarter economic growth. A recent poll of economists points to expectations of a 225,000 increase in non-farm payrolls last month.

Paramount bid: The deadline for rival bidders Viacom and QVC Network to increase their offers for the US film and publishing group.

Holidays: Christmas for Coptic Christians of Egypt and Ethiopia.

World stock markets are entering the new year on a wave of optimism, with many scaling all-time highs

Measures which came into effect on January 1 1994

Trading partners: The North American Free Trade Agreement came into force, creating a single market comprising the US, Canada and Mexico.

Bolivia, Colombia, Ecuador, Peru and Venezuela, the Andean Group, started a customs union. The first of its kind for developing nations, it will be a market of some 100 million people.

The European Economic Area, came into being, linking the 12 European Union members and five Nordic and Alpine states in a giant single market.

Greek presidency: Greece took over the presidency of the EU from Belgium. One of the most pressing topics on the EU's agenda is enlargement, with a March 1 deadline for completing negotiations for the admission of Norway, Sweden, Finland and Austria.

Emu part two:

European Monetary Union started its second and penultimate stage. The European Monetary Institute – the embryo central bank – began its work, with the Belgian Alexandre Lamfalussy (left) as its first president. It is still seeking premises in Frankfurt.

Central bankers' banker: The top job at the Bank for International Settlements in Basle, vacated by Alexandre Lamfalussy's move to the EMI, has been taken by Andrew Crockett, previously a director at the Bank of England. He has said he will focus on the problems associated with financial derivative instruments.

Footloose and duty-free: The value of duty-free gifts travellers within the European Union can bring home doubled to Ecu90 ($100). For those returning from outside the EU, the allowance has risen to Ecu175 from Ecu45. Alcoholic drinks, tobacco or perfumes are excluded, being subject to volume limits.

Duty-free shopping on journeys within the EU is set to end on 30 June 1999.

Road hauliers in the European Union will be freer, but slower. Restrictions on cabotage, the right of a haulier from one member state to pick up and deliver a load in another, have been eased.

Rules have also come into force requiring new trucks of 12 tonnes gross weight and more to be fitted with speed limiters restricting them to 56mph (90kph). The UK already requires trucks of 7.5 tonnes or more to be limited to 60mph.

Germans grit their teeth: Taxation on oil products rose by up to 20 per cent (for petrol) and 13 per cent (for diesel), which means an extra 16 pfennigs on a litre of petrol.

Child allowances were cut to DM70 ($41) per child per month, and are to be means-tested. Unemployment benefit has also been cut, by some 3 percentage points.

Pension contributions rose to more than 19 per cent of gross income, to prevent the state pension funds sliding into the red.

Trains set: Germany's rail companies, the Bundesbahn in the west and the Reichsbahn in the east, united as Deutsche Bahn. The railways are no longer a statutory body, which paves the way for eventual privatisation, some 10 years down the tracks.

The government has agreed to assume the railways' debts, to be paid for by increased oil taxes.

Commercial agents: The English Commercial Agents Regulations 1993 came into force, along with equivalent enabling legislative orders for Scotland and Northern Ireland.

These implemented the 1986 EC Directive 86/653, giving commercial agents who act for UK principals in countries of the EU (formerly EC) greatly increased rights. These include greater security of contract, compensation for loss of office, and disclosure of confidential information concerning their principals' business.

Many British companies took the precaution of sacking their commercial agents in advance of the new regulations.

The Irish Republic also brought the directive into force. The other EU states have already implemented it.

Lloyd's goes corporate:

For the first time in its 300-year history, the Lloyd's of London insurance market (left) is to accept corporate members. Previously, only wealthy individuals, the Names, who have put all their assets at stake in supporting the market have been members. Now, companies, institutions and private investors of more modest means will be able to benefit from limited liability.

EIS supersedes BES: The Enterprise Investment Scheme came into being. It replaces the the Business Expansion Scheme, set up in 1983 to encourage investment in trading companies. The BES became an easy tax break for higher earners, raising more than £3bn. Its successor is designed to be less generous.

500-year malt: Scotland's distillers have decided to designate 1994 the 500th anniversary of malt whisky, on the basis of a document dated 1494 which mentions materials supplied to a certain Friar John Cor "wherewith to make *aquavitae*".

8 SATURDAY

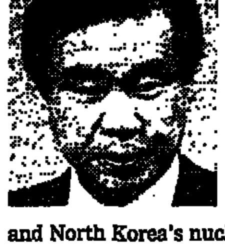
Clinton goes to Europe

US President Bill sets off for his first European trip since taking office in January 1993. It takes him to Brussels for the Nato summit (Jan 10-11). He then travels to Prague to meet Polish, Czech and Hungarian leaders.

Next stop is Russia for talks with President Yeltsin, but not with Vladimir Zhirinovsky, the nationalist. Clinton also visits Minsk, in recognition of the Belarus decision to dismantle its nuclear weapons.

Finally, he goes to Geneva, for a session with President Assad of Syria. They are expected to discuss the Middle East peace process.

Japanese-Chinese relations:



Japan's foreign minister Tsutomu Hata (left) begins a two-day visit to China. He will discuss with his opposite number, Qian Qichen, economic assistance, human rights issues, and North Korea's nuclear programme.

9 SUNDAY

Central bankers converge

Central bankers from the big industrialised countries travel to Basle for their first regular monthly meeting of the year at the Bank for International Settlements early next week.

Cinema buffs will be flocking to the Belgian capital for the start of The Brussels International Film Festival.

Sumo fortnight: The 15-day New Year Grand Sumo Tournament begins in Tokyo.

NEXT WEEK

A two-day summit of Nato leaders begins in Brussels on Monday January 10. The organisation has been seeking a role since the end of the Cold War. The trend of events in the former Soviet Union may give it a new sense of purpose.

The council of the European Monetary Institute holds a formal inaugural meeting in Frankfurt on January 11. As the institute still lacks premises in the city, the council will assemble in the town hall.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Wednesday: The German Federal Labour Office is expected to announce that unemployment continued to rise last month, both in western and eastern Germany. Economists fear that the recent spate of lay-offs announced by companies means unemployment will keep rising until mid-year, even though the economy may be stabilising.

US data on factory orders in November is expected to show a slight quickening of growth compared with October. This would be consistent with data published earlier by the National Association of Purchasing Managers.

Friday: The UK housing market comes under the spotlight with publication of the Halifax Building Society house price index for December. The Bank of England also publishes figures on mortgage lending in November. Last week, the eight biggest British banking groups announced a 2.6 per cent drop in their gross mortgage lending between October and November, caused by seasonal factors.

Canadian unemployment is expected to have risen in December to 11.1 per cent, despite a steady economic growth performance in 1993.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Tues	US	Johnson Redbook – w.e. Jan 1	–	–
Jan 4	Japan	December Forex Reserves*	–	+0.2%
	UK	Dec purchasing managers index	–	54.2%
	Denmark	Dec Net Chg FX Reserves	–	DKr3.0bn
Wed	US	Nov factory orders	+1.3%	+1.2%
Jan 5	US	Nov factory inventories	–	-0.1%
	Germany	Dec west German vacancies	-5,000	-2,000
	Germany	Nov west German employment	-55,000	-93,000
	Germany	Dec west German unemployment	+37,000	+35,000
	Germany	Dec east German unemployment	-12,000	-14,000
	UK	Dec official reserves	£50m	£77m
	Spain	Dec official reserves	Pta52bn	Pta52.2bn
	Canada	Nov industrial production*	+0.4%	+0.4%
	Canada	Dec Foreign reserves	-C$475m	-C$817m
	Canada	Dec help wanted index	90	89
	Canada	Nov raw materials*	-1.2%	+0.4%
	Australia	Nov current account	-A$1.3bn	-A$1.26bn
	Australia	Nov building approvals	-1.0%	+0.2%
Thurs	US	Initial claims - w.e. Jan 1	316,000	–
Jan 6	US	M1 - w.e Dec 27	–	–
	US	M2 - w.e. Dec 27	–	–
	US	M3 - w.e. Dec 27	–	–
	US	Nov home completions	–	1.24m
Fri	US	Dec non-farm payrolls	+225,000	+208,000
Jan 7	US	Dec manufacturing payrolls	+25,000	+30,000
	US	Dec hourly earnings	+0.2%	+0.2%
	US	Dec unemployment rate	6.5%	6.4%
	US	Nov consumer credit	+$6.0bn	+$8.1bn
	UK	Full monetary statistics	–	+0.4%
	France	Dec trade balance	+FFr6.0bn	+FFr9.8bn
	Canada	Dec employment	+0.0%	+0.5%
	Canada	Dec unemployment rate	11.1%	11%
During the week...				
	Germany	Nov industrial production	-0.1%	-0.4%
	Germany	Nov manufacturing output	-0.1%	-0.4%
	Germany	Nov manufacturing orders	+0.3%	-0.3%
	Germany	Dec cost of living*	–	0.3%
	Italy	Dec consumer price index official	4.1%	4.2%
	Italy	Third quarter GDP*	-0.1%	+0.76%
	Spain	Oct industrial production**	-1.0%	-1.7%
	Neth	Dec consumer price index*	-0.1%	-0.1%
	Denmark	Nov unemployment	12.3%	12.4%
	Finland	Nov unemployment	19%	18.7%
	Belgium	Dec unemployment	14%	13.9%
	Switz	Dec federal consumer price index*	+0.0%	-0.1%
	Switz	Dec unemployment	5.1%	5.0%

*month on month, **year on year

Statistics, courtesy MMS International.

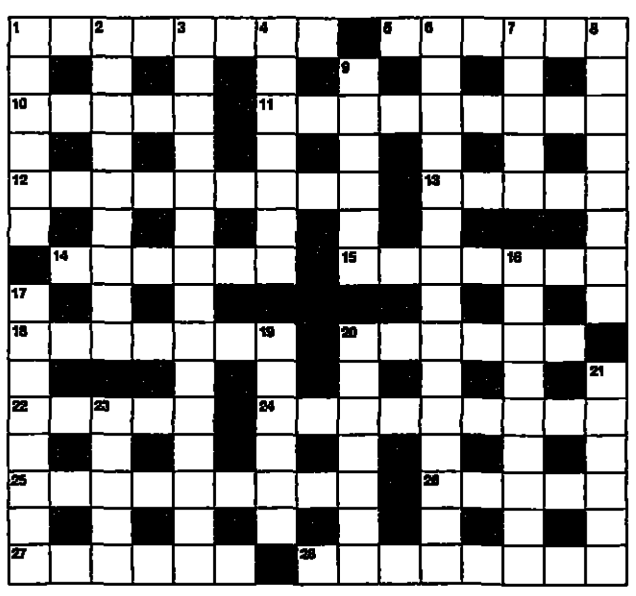
PRIZE CROSSWORD
No.8,344 Set by GRIFFIN

ACROSS

1 *Support the team that's bottom* (8)
5 By taking showers becomes smart (6)
10 Fly round lake when sunny (5)
11 Even cigar involved in complaint (9)
12 Push southern girl into ring (9)
13 *Be less blue, free and shocking* (5)
14 Cries uncontrollably after swallowing hard substance (6)
15 After glib speech name model (7)
18 Gathering old fuel is dreary (7)
20 Put an end to drink! (6)
22 *It's usually hot at the end of three months* (5)
24 Beaten up as dress is spoilt (9)
25 Stopped home before getting established (9)
26 That is doctor you heard admitting it's steep (5)
27 They wander into sand after reviewing an order (6)
28 *Groups of crossword compilers way inside?* (8)

DOWN

1 *Next to live part* (6)
2 Heavenly castle I rebuilt half mile inside (9)
3 Frank's just a footballer (15)
4 Is in French accommodation carrying magazines (7)
6 Rebels' turn to raise resolution (15)
7 Secret hotel Queen used (5)
8 Giving up struggling lie *dying* (8)
9 Incentive to take tablet if retiring (6)
16 Overlook Jack taking 50 inside as understandable (9)
17 Sticking notice on he is back inside (8)
19 Go on empty lorry after all (6)
20 For messy result first dip in *pastry!* (7)
21 Dreads flying gliders at ground level? (6)
23 Brush inside a tube somewhere (5)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday January 13, marked Prize Crossword 8,344 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 17.

Name...

Address...

Winners 8,336

Cecilia Kershaw, London SW7; L.S. Davies, Solihull, W. Midlands; J.Doe, Bath; K.B. Hubbard, Leigh on Sea, Essex; R. Martin, Grosmont, N. Yorkshire; D.L Shaw, Cheam, Surrey.

Solution 8,336